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NEWS SUMMARY

GENERAL

Belfast ferry restored by P & O

P & O Ferries has agreed to restore the Liverpool/Belfast ferry service it said it was closing following industrial action by seamen over pay.

It said that all parties representing employees would contribute, with managers, to an immediate study "in a bid to achieve a reliable and viable service."

Seamen's union leaders yesterday decided on a strike to prevent all deep-sea vessels leaving British ports from next Monday, with increased industrial action on ferries and other ships, if employers refuse to let their dispute go to arbitration. Back Page

Hostages move

Iran's leader Ayatollah Khomeini yesterday advised his country's government to accept Algerian proposals to help end the 14-month crisis over the U.S. hostages. However, he made no reference to the matter, or to his talks with the Cabinet about it, in a speech broadcast yesterday. Back Page

Editors warned

Editotrs of newspapers and television and radio programmes have been informed that the Solicitor General is concerned about publicity given to the Yorkshire Ripper case following the arrest of Peter Sutcliffe, and reminded of the principle that an accused person is presumed innocent.

Yabour MP Tom McNally (Stockport S) has asked for a Home Office investigation into coverage of the case following the arrest.

Tarling loses

Singapore's Appeal Court dismissed an appeal against conviction for company law offences by British businessman Richard Tarling. His six-month jail sentence stands. Men and Matters, Page 18

Air crash ruling

U.S. Appeals Court judges ruled that aircraft builders McDonnell Douglas could not be sued for punitive damages over the Chicago crash of a DC-10, killing 273, in May 1979.

Gem sale blocked

Australia's Government will not grant an export licence until July for the 60 lb Hand of Faith gold nugget, for which the biggest bid yas from a Las Vagas casini—i nthe hope of finding an Australian buyer.

Remarkable Reno

Reno, a wire-haired terrier, was dug out alive from a ruined house in Avellino, Italy—48 days after it was destroyed by earthquake.

FA reported

Scottish football supporters have reported the Football Association to the Commission for Racial Equality over its plans to keep Scottish fans away from the England-Scotland match at Wembley in May.

Limited escape

Four prisoners escaped from Great Yarmouth police station at 3.45 a.m., after filing cell door bolts, walked ten miles and and took a bus to Norwich. But 11 others decided it was too cold to escape.

Briefly . . .

Commons is to debate EEC plans for labelling electric domestic appliances.

Mark Chapman pleaded not guilty in New York to charges of killing former Beatle John Lennon.

Uganda has rationed petrol—with 6.6 gallons a week for private motorists.

BUSINESS

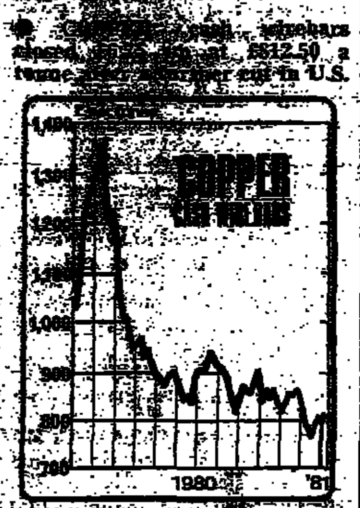
Equities slip 5.3; Copper up £6.75

● [illegible] helped by Wall [illegible] overnight rise [illegible], but the tone [illegible] with institutional [illegible] unwilling to commit [illegible] The [illegible] 30-share [illegible] at 467.6.

● [illegible] the banking statistics [illegible] the markets. [illegible] and mediums closed [illegible] higher, with shorts up [illegible] Government Securities [illegible] 0.19 up at 69.02.

● [illegible] closed 1.79 [illegible] the close.

● [illegible] Cash wirebars closed [illegible] at £812.50 a tonne [illegible] in U.S.



interest rates. Cash LEAD closed £9 higher at £322 a tonne. Page 27

● GOLD rose $2 in London to $601.50. Page 22. In New York, the Comex January close was $597.8 ($593.6).

● DOLLAR closed at Y199.60 (Y199.25), DM1.9315 (DM1.9385) and SwFr 1.7450 (SwFr 1.7560). Its trade-weighted index fell to 85.2 from 85.3. Page 22

● STERLING closed at $2.4255, a rise of 90 points. Its trade-weighted index was 79.0 (78.8). Page 22

● BANKING FIGURES indicated a rise of about 0.5 per cent in Sterling M3 last month, the smallest increase since the spring. Back Page; tables, Page 22; Editorial comment, Page 18; Lex, Back Page

● INTEREST PAYMENTS on foreign debt could this year take 20 per cent of the export earnings of the 12 heaviest borrowers in the non-oil producing Third World. Back Page; details Page 24

● POLISH Government's investment cuts could lead to a 40 per cent increase this year in the value of machinery paid for but not needed. Back Page

● VOSPER SHIPREPAIRERS, British Shipbuilders' second biggest repair yard, may be threatened by the closure of the British Transport Docks Board's two Southampton drydocks, which it uses. Page 6; Feature, Page 19

● BRITIS HSTEEL Corporation may not survive if workers do not back its new survival plan, chairman Ian MacGregor said yesterday. Page 8

● BRITIS HAIRWAYS manual workers will be asked at a mass meeting to back a 24-hour strike on January 23. Page 8

● CHRYSLER director Douglas Fraser asked the U.S. Government's Chrysler Loan Guarantee Board to consider releasing all $700m left in Congressionally approved loan guarantees. Back Page

● PORTALS HOLDINGS, security papermaking and engineering group, is raising £8.75m by way of a rights issue. Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

(Prices in pence unless otherwise indicated)

RISES		
Treas. 8¾pc '87-90	£76⅞	+ ⅛
Treas. 15¼pc 1996	£109¼	+ ⅛
Bunzl Pulp	116	+ 6
Cullen's Stores A	156	+ 6
Guinness Peat	117	+ 7
Owen Owen	116	+ 6
Polly Peck	160	+ 12
Reardon Smith	127	+ 5
Somportex	470	+ 20
Winterbottom	332	+ 42
Elsburg	242	+ 17
Meekatharra	425	+ 45
West Driefontein	£40	+ 2⅞
York Resources	101	+ 8
FALLS		
Bond St. Fabrics	22	− 4
Br. Cine. Theatres	58	− 5
Fisons	175	− 15
GEC	603	− 9
Glaxo	266	− 6
Grattan Warehouses	56	− 4
Grindlays Bank	162	− 8
Halma Inv.	82	− 8
Horizon Travel	138	− 7
Howden Group	120	− 16
London United	180	− 10
Midland Bank	332	− 8
Pearl Assurance	394	− 8
Phoenix Timber	122	− 6
Record Ridgway	38	− 8
Renwick	73	− 9
Rolfe & Nolan	60	− 6
Scot. & Newcastle	56	− 2
Thorn EMI	308	− 10
Candecca	208	− 15
Sovereign Oil	398	− 12
Haoma Gold	155	− 13
Nickelore	57	− 9

Raw material and fuel costs for industry start to rise again

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE COST of British industry's raw materials and fuel is rising again after showing virtually no change between last spring and the late autumn. However, the prices charged for manufactured products in the home market are still increasing at the slowest rate for nearly three years.

The implication is that retail prices should contitnue to grow at a moderate pace over most of this year in spite of the absence of some of last year's favourable influences.

Department of Industry figures published yesterday show the index of the cost of industry's materials and fuel to have risen by 1.2 per cent to 205.7 (1975=100) after a revised increase of nearly 1 per cent in November. This follows a slight decline over the previous six months.

The increase in raw materials costs is largely because of the higher sterling price for crude oil. This is as a result of the fall in the value of the pound and the back-dated increase in the Saudi Arabian oil prices. Up till November the appreciation of sterling had offset any increase in the dollar price of commodities.

WHOLESALE PRICES
(1975=100)

		Materials and fuel purchased	Output (home sales)
1980	1st	197.2	191.4
	2nd	201.3	199.0
	3rd	201.9	203.6
	Sept.	202.1	204.6
	Oct.	201.4	205.3
	Nov.*	203.3	206.1
	Dec.*	205.7	206.6

* Provisional
Source: Department of Industry

The latest round of oil price increases will boost the costs index in January though the impact may be reduced by the recent recovery of sterling, if this is sustained.

Overall, sterling and commodity prices are expected by many economists to be a less favourable influence on industry's costs this year than in 1980. But the impact should be more than offset by the expected slowdown in the rate of growth of labour costs, of which there are already clear signs.

The main constraint on prices charged for manufactured products in recent months has not been costs but the recession, tight competitive conditions and the need to reduce excessive levels of stocks.

The output prices index rose by 0.24 per cent last month to 206.6 (1975=100). The extent of the slowdown is shown by a comparison of the rises in the first and second halves of last year, increases of 9.6 per cent and 2.8 per cent respectively.

At a time when labour costs were rising rapidly the result was a squeeze on profit margins.

The Confederation of British Industry trends inquiry and other surveys have pointed to a continuing slow rate of increase in output prices over the next few months. But the annual bunching of some companies' price rises may boost the index in January.

Given the usual time lags retail prices should also continue to grow modestly until at least the late summer despite monthly blips in the trend.

After excluding the food, drink and tobacco sectors, the materials costs of industry rose by 1½ per cent last month, though the cost of materials other than crude oil fell by ½ per cent.

Turkey wants banks to restructure $3bn loans

BY METIN MUNIR IN ANKARA

TURKEY has invited 16 leading international banks to a "strictly confidential and off-the-record discussion" to consider re-structuring commercial loans totalling about $3.2bn (£1.3bn) signed in 1979. The meeting will be in London on Tuesday.

Mr. Turgut Ozal, deputy Prime Minister, said in a message to the banks: "The purpose of the meeting is to consider the revision of our 1979 commercial bank refinancing and new money loans. I am counting strongly on your support and advice."

Mr. Ozal, who is the force behind Turkey's economic stabilisation programme, will ask the banks to extend the term of the loans and reduce the spread.

He wants to extend the term from seven to 10, or possibly 12 years, and to reduce the spread from 1.75 per cent over the six-month London inter-bank offered rate (Libor) to 1½ per cent, the officials said.

The debt consists of about $2.4bn arising from the so-called Convertible Turkish Lira Deposits (CTLD)—short-term debts of Turkish commercial banks bought by the central bank, $436m of bankers' credits and a $406m new money loan.

Those invited are Banca Commerciale Italiana, Bank of America National Trust and Savings Association, Bankers Trust Company, Barclays Bank, Chase Manhattan, Chemical Bank, Citibank, Credit Lyonnais, Deutsche Bank, Dresdner Bank, Lloyds Bank, Manufacturers Hanover Trust Company, Morgan Guaranty Trust Company of New York, Societe Generale, Swiss Bank Corporation and Union Bank of Switzerland.

Turkey will be represented by Mr. Ozal, and Mr. Ismail Hakki Aydinoglu, Governor of the Central Bank.

About 240 foreign banks are involved in the CTLD scheme and about 40 to 50 banks in the new money loan.

The purpose of the exercise is to free Turkey from the burden of interest and principal repayments while it presses ahead with Mr. Ozal's [illegible] of economic recovery, a senior official said. The next three to five years are critical. The grace period ends in mid-1982.

Turkey seems to have approached the banks now because it feels more secure and self-confident. The generals' coup has brought about stability and officials believe the recovery programme is beginning to show signs of success.

Meanwhile, official forecasts show that Turkey is planning to raise $3.5bn this year to cover its financial needs.

Imports are projected at $9bn and exports $3.5bn. Tshe deficit of $5.5bn compares with $3.5bn last year.

To bridge this, the Government is planning to raise $2.5bn in programme credits and $900m in project credits. In addition, Turkey will receive $400m from the International Monetary Fund under the three-year stand by agreement signed last year

David Tonage adds: The reactions of the banks approached

Continued on Back Page

Threat of national water strike

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE FIRST national water and sewage workers strike became a possibility yesterday after the National Water Council refused to increase its 7.9 per cent offer to 32,000 manual workers.

Sir Robert Marshall, council chairman, said he was "very worried" by the possibility of unofficial action. A national, official strike was "a possibility."

Mr. Eddie Newall, the General and Municipal Workers' Union national officer for the water industry and secretary of the trade union side, said: "I don't think we have ever been closer to a strike."

Sir Robert said there had been no direct Government influence in the Council's surprise decision to make its first offer, its final one. Had the decision been to offer 12 per cent, the Government would not have objected.

The union side believes the offer was not raised because of union officials' acceptance last month of a 7.5 per cent offer for 1.1m local authority manual workers.

"We got the distinct impression that the council was hiding behind the local government settlement," Mr. Newall said.

The four unions involved—the GMWU, the National Union of Public Employees, the Transport and General Workers Union and the Farmworkers Union—are to consult their members on the offer.

They will tell them and their executives that an increased offer could be secured only by industrial action. The consultation should be completed by the end of January.

Union officials believe there will be overwhelming support for strike action, although they did not specify what form it might take.

Mr. Ron Keating, NUPE assistant secretary, said: "We are going to put the heat on. We are here for real and we will take the most effective form of action."

They would be seeking support from staff unions, whose settlement date is on April 1.

Sir Robert said that contingency plans, involving managerial staff taking over manual workers' jobs, had been discussed. They did not involve the use of troops and, he said, they might break down if there were a prolonged strike. The situation could then become "intolerable."

Pay rises in the industry in the last two years had totalled 44 per cent, 10 percentage points ahead of the rise in the Retail Price Index. This year, it was decided that "it was the turn of the consumer and the turn of the total battle against inflation," Sir Robert said.

British Airways one-day strike call. Page 8

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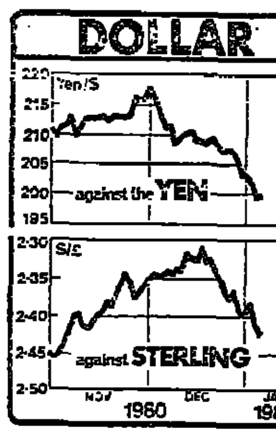

Two-month high for £

By David Marsh

STERLING ROSE to its highest level for two months on the foreign exchanges yesterday as declining U.S. interest rates sparked off further general weakness of the dollar.

Chemical Bank of New York underlined the easing of the U.S. monetary squeeze by becoming the first major bank to lower its prime rate below 20 per cent, with a cut of one point to 19½ per cent.

Most other U.S. banks remain at 20½ per cent, although Marine Midland yesterday joined Morgan Guaranty at 20 per cent.

The pound climbed to a peak of $2.4350 at one point before dropping back to close in London at $2.4255, up 0.90 cents from Monday, but barely changed from that day's New York close. The Bank of England trade-weighted index of its value against a basket of other currencies rose from 78.8 to 79.0, its highest since early November.

The dollar fell to DM 1.9315 from Monday's London close of DM 1.9385, and to SwFr 1.7450 from SwFr 1.7560. The yen rose to Y198.90 to the dollar at one stage from Y199.25, but closed slightly easier at Y199.60.

In Ottawa it was announced that the Canadian Government borrowed U.S.$900m from Canadian and foreign banks during December to help prop up the sagging Canadian dollar. The money came from standby lines of credit first arranged in 1978 during an earlier run on the currency.

South Africa sold 3,142,500 oz of Krugerrand gold coins in 1980—a drop of 36 per cent on the 4,940,755 oz sold in 1979, but the higher gold price meant that the value of the sales increased some 14 per cent.

December was the best month of the year, with sales of 437,583 oz. compared with 409,890 oz in November.

In New York the stock market, which ended Monday with a gain of almost 20 points, shot 10 points higher and through the 1,000 mark around midday yesterday, peaking at about 1,004 before slipping back slightly. In the bond market early price weakness was reversed by news of the latest prime rate cut.

Fisons will axe 25% of workers in fertilisers

BY MARTIN DICKSON

FISONS is to axe 1,100 jobs — about 25 per cent of the workforce — in its troubled fertiliser division in a "fundamental restructuring" meant to improve its financial performance.

The news sent Fisons shares plunging on the Stock Exchange yesterday. They closed 15p down at 175p. There were fears in the City that redundancy payments, likely to total £5m, could affect the company's final dividend.

● Closure of four of the division's "small and uneconomic" works at Barking, Essex, Plymouth, Boston, Lincs; and Widnes, Merseyside, with a loss of some 445 jobs. The four plants are all involved in granulation and bagging of compound fertilisers.

● No more production of phosphoric acid at Fisons' large Avonmouth works, near Bristol, with a loss of about 100 jobs. Output of the acid will be concentrated at the large Immingham Works, south Humberside. The division's present volume of production will be maintained. About 100 jobs will go at Immingham.

● Reorganisation of the division's administrative services, based at Felixstowe, Essex, and of its research and development facilities at Levington, near Ipswich. About 300 jobs will be lost here.

About 930 present employees will be affected by the move, since a substantial number of the jobs to be axed involve posts already vacant. Staff at all levels are involved, although the division is maintaining its sales force intact.

Fisons, Britain's second biggest fertiliser company after ICI, said that the elimination of excess capacity would produce a more streamlined, cost-effective division. A "restructuring" would have been necessary irrespective of the recession, though the present

Continued on Back Page
Kelloggs plans to cut 300 jobs. Page 6
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Borthwick loans lead to qualification of accounts

BY REG VAUGHAN

THE ANNUAL accounts for 1979/80 of Thomas Borthwick and Sons, Britain's leading international meat trader which reported a pre-tax loss of £10.5m for the year, have been heavily qualified by the group's auditors.

In their report the auditors, Deloitte Haskins and Sells, say that the group's accounts have been prepared on a "going concern basis, the validity of which is dependent on the company successfully negotiating the continuance of adequate borrowing facilities."

The directors' report accompanying the accounts says that because of the results of the group for 1979/80 and its financial position, "certain of the group's loans are callable by the lending bankers." Borthwick's two main bankers are Barclays and the Bank of New South Wales, although some 28 other banks are involved.

The directors say that pending the outcome of discussions with the bankers, adequate financial facilities are available. In 1979-80 the group reduced borrowings by £11m which it feels should "assist in setting up our banking arrangements for 1980-81." For that year the group forecasts a further reduction of £20m.

Mr. Richard Wheeler-Bennett, who takes over as chairman from Dr. Bill Bullen at the end of the month, said yesterday that the talks with the bankers were still in progress. He was "keen to get the arrangements in place soon" with the company's active season in Australasia getting under way.

He was "fairly hopeful" about the outcome of the talks but stressed the complication of dealing with so many banks. The loss in 1979/80 came about because "various assumptions went wrong" in a time of extraordinary conditions. The U.S. beef price had collapsed.

Mr. Wheeler-Bennett said trading prospects for the first quarter of this year were not very attractive, but the remainder looked better.

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£ in New York

—	Jan. 5	Previous
Spot	$2.4245-4255	$2.3800-3850
1 month	0.90-1.00 pm	1.10-1.30 pm
3 months	1.65-1.80 pm	1.85-2.05 pm
12 months	1.75-2.00 pm	2.40-2.60 pm

Polish farmers threaten strike over trade union

FARMERS IN south-east Poland have threatened to strike unless the Government agrees to recognise their new trade union and ends harassment of unionists. The warning came only hours after Mr. Lech Walesa, leader of the Polish independent union, Solidarity, completed talks with the Government about Saturday working, an issue which could cause a new confrontation.

Mr. Walesa had five hours of talks with Mr. Mieczyslaw Jagielski, Deputy Premier, and said later that the talks had been held in a "good atmosphere." An official at the Warsaw branch of Solidarity said they had covered the claim for Saturdays off and other issues.

Mr. Walesa . . . good atmosphere at talks

The group of private farmers who have been occupying local government offices at Ustrzyki Dolne since December 29 said they would call selective strikes unless the authorities opened talks on their demands.

A Solidarity official said later that a six-member Government delegation had arrived for talks with the demonstrators. A regional strike has been threatened if agreement is not reached by January 10.

Workers and farmers in the south-eastern town of Rzeszow were also reported to have occupied their local prefecture building yesterday in support of Ustrzyki Dolne. Union branches in at least two other Polish cities had sent representatives to express their readiness to take action in support of the farmers' demands.

If strikes are called, they will be the first major work stoppages since the end of November, when Mr. Walesa called for a six-week moratorium on strikes over the holiday period.

The farmers are demanding the registration of a "rural solidarity" independent union. A Warsaw district court rejected the claim in October. The Supreme Court met last week to review the decision, but postponed its ruling, saying it needed time to translate international conventions.

Reuter

Thorn tries to head off jobs wrangle

By Our Brussels Correspondent

M. GASTON THORN, new president of the European Commission, sought to head off a looming squabble by scheduling a three-day meeting of his 13 colleagues to decide which of them does what job in the new Commission which formally took office yesterday.

His aim was to avoid the short tempers and occasionally poisonous atmosphere which develops when this traditional job-sorting session drags on until the small hours of the morning.

Yesterday's first meeting of the Commission began amicably enough. But, despite closing discussion on the right side of midnight, M. Thorn could still have a problem in preventing today's resumed exchanges becoming considerably more heated.

His difficulty is that of a football club manager whose directors choose the team most of whom decide where they are going to play. All his colleagues are nominees of the EEC's 10 member governments and eight of them have a grip on most of the best jobs because they served in the last Commission. But several of the new members are determined to try to force the "old guard" to surrender some of their treasure.

Apart from portfolios, the Commission will also decide by tomorrow how to handle the budget row between some member governments and the European Parliament which flared unexpectedly before Christmas.

There is a strong likelihood that the new Commission's first major decision could be to take France, West Germany and Belgium to the European Court for withholding some of their January budget payments to Brussels.

Commissioners start to jockey for position

BY JOHN WYLES AND GILES MERRITT IN BRUSSELS

LED BY their new president, M. Gaston Thorn, 13 European Commissioners yesterday began the exceedingly tricky task of allocating themselves jobs for the next four years.

Jointly, they will be responsible for managing the Commission's enormous responsibilities for European agriculture and for developing proposals aimed at furthering the cohesion and integration of the Community. As always, however, member governments will retain the last word.

The Commission is relatively well rewarded in salaries, allowances and pensions. M. Thorn will draw around £60,000 before allowances, five vice-presidents £54,000 and ordinary Commissioners £50,000. In comparison with its predecessor, the Thorn Commission will have a more right-of-centre colouring. It contains five Socialists instead of seven, and six Christian Democrats/Conservatives instead of four, but the same number of Liberals, two.

In the effort to provide satisfying employment for the new Commissioners, M. Thorn will be trying to reshuffle a pack in which most of the aces are held by eight members of the old guard who are returning as Commissioners for another four years.

They and the governments which renominated them are anxious broadly to retain the responsibilities they had in the Jenkins Commission. But one extra Commissioner has to be accommodated because of Greece's accession and, on the surface, there will not be enough worthwhile tasks for the new Commissioners unless the "old guard" surrender some parts of their empire.

Thus, Denmark's Mr. Finn Olav Gundelach may well be pressed to hive off responsibility for fisheries policy to another Commissioner while still retaining the key agriculture portfolio. However, Viscount Etienne Davignon, of Belgium, wants to take charge of energy policy while retaining some of his current responsibilities for industry and industrial innovation.

This may be difficult for M. Thorn and the new recruits to concede. Elsewhere, Britain's senior commissioner, Mr. Christopher Tugendhat will keep the EEC budget portfolio but is happy to let slip his responsibility for personnel management.

France's M. Francois-Xavier Ortoli and M. Claude Cheysson will retain economic affairs and development policy respectively while the veteran Herr Wilhelm Haferkamp, of West Germany, will be difficult to dislodge from external affairs.

Italy's two Commissioners, Sig. Lorenzo Natali and Sig. Antonio Giolitti, are not interested in shedding the portfolios for enlargement and regional policy.

New Commissioners and president (left to right): Messrs. Richard, Marjes, Kontogeorgis, Thorn, Andriesson, O'Kennedy

The new faces in Gaston Thorn's 14-man team

IVOR RICHARD is already finding Brussels very different from New York, where from 1974 to 1979 he was Britain's Permanent Representative to the UN. The comparative lack of official "back-up" available to him as the UK's new junior European Commissioner contrasts with that accorded to a senior ambassador.

But the 48-year-old former Labour MP's chief preoccupation is not the scale of his cabinet team but the job that he will be allotted by M. Gaston Thorn, the incoming president. His original aim of wresting the Co-operation and Development portfolio from M. Claude Cheysson has been thwarted by the latter's decision to stay on in Brussels. Mr. Richard's ambitions, instead, are understood to have turned toward the Industry job, providing that is vacated by Viscount Etienne Davignon.

Mr. Richard's bargaining powers, to some extent, are alloyed by the knowledge in Brussels that his appointment to fill the vacancy created by Mr. Roy Jenkin's departure followed a prolonged search by Mrs. Margaret Thatcher, the British Prime Minister, elsewhere in the top ranks of the Labour party. Until losing his 10-year tenure of the Baron's Court seat at Westminster in the 1974 redistribution, however, Mr. Richard had made his mark as a political high-flier in Britain. He had also made some impact in Brussels as a staunch advocate of Britain's EEC membership, having in 1971 been one of the 69 Labour MPs who disobeyed the party whip to vote in favour of accepting the EEC entry terms negotiated by Mr. Edward Heath.

FRANS ANDRIESSEN: There are strong hopes in The Hague that this 51-year-old former Minister of Finance will carry morew eight in Brussels than Mr. Henk Vredeling, his immediate predecessor as Netherlands Commissioner. He comes from the opposite side of the political spectrum as a Catholic member of the Christian Democrat Appeal and is altogether a more staid and less volatile politician than Mr. Vredeling.

Whether he will be any better at coping with the frustrations of a Commissioner's life remains to be seen. But he is no stranger to Brusels. His three years as Minister of Finance which ended last September involved him in monthly Council of Ministers' meetings where, as a consumer of the Commission's proposals and anlyses, he was able to form an impression of tis strengths and weaknesses.

Trained as a lawyer at the prestigious University of Utrecht he entered national politics in 1967 after nine years in Utrecht local government.

He looks well qualified to secure the portfolio of his choice. Competition, which many seasoned observers believe has been under-exploited by the previous incumbent, Mr. Raymond Vouel.

Karl-Heinz Narjes is no stranger to the upper reaches of the European Commission. The 56-year-old diplomat-turned politician replaces Dr. Guido Brunner as West Germany's second and junior member of the Commission. Throughout the mid-1960s he was chef de cabinet to Herr Walter Hallstein, the then president of the European Commbission

A Second World War U-boat officer whose academic achievements began with a spell at a PoW "camp university" while being held in Britain and Canada, Herr Narjes later went on to gain a doctorate of law at Hamburg in 1952. Service in the West German Foreign Ministry led by 1958 to his appointment to Brussels as the number two top official in Herr Hallstein's private office. From April 1963 to July 1967 he was head of the Hallstein "cabinet," and for two years after that had responsibility for the Press and information services of the Brussels Commission.

Elected to the Bundestag in 1972 after a failed bid in 1969, Herr Narjes has since the mid-1970s been the opposition Christian Democrat party's energy spokesman. Although his appointment came only after a number of better-known figures had turned the job down, Herr Narjes has naturally enough been pushing hard for the Energy portfolio that had been held by Dr. Brunner.

MICHAEL O'KENNEDY, the 44-year-old Irish Finance Minister who succeeds Mr. Richard Burke as Ireland's single European Commissioner, already knows Brussels from the outside. From July 1977, when the youthful deputy for North Tipperary was the new Fianna Fail government's surprise choice as Foreign Affairs Minister, he has been a regular participant in the Council of Ministers.

Dubbed, somewhat deceptively, in Dublin's political circles as "the altar boy"—his fluent Italian reputedly stems from theological studies in Rome—Mr. O'Kennedy has a political track record that marks him out as a likely future Prime Minister. He was, indeed, briefly a compromise contender when Mr. Jack Lynch stepped down and his decision to back Mr. Haughey instead gained him the Finance Ministry in December 1979.

A four-year stint in Brussels for an Irish politician of Mr O'Kennedy's standing is unlikely to diminish his chances of eventually winning the leadership of Fianna Fail, given the importance to Ireland of EEC membership. Much depends, though, on the portfolio that Mr. O'Kennedy receives. Wary of the "rag-bag" grouping transport with Consumer Affairs that Mr. Burke was saddled with, Mr. O'Kennedy has put a marker down for Social Affairs, vacated by Mr. Henk Vredeling, of the Netherlands.

In an era of worsening unemployment that would certainly give him a high political profile, although possibly not of the type he would most welcome.

GEORGE KONTOGEORGIS is an impressive and engaging bureaucrat-turned parliamentarian whose energy and appearance belies his 68 years. He began his career at the Ministry of Commerce in Athens, rising to the position of Director General of Trade from which he resigned in protest at the Colonels' coup in May 1967.

By then he had already acquired substantial knowledge of the EEC through involvement in the negotiations culminating in Greece's Association Agreement with the Community in 1962. He returned to public life in 1974 and after the elections of November 1977 became a Deputy of State as a member of Mr. Karamanlis' New Democracy Party.

Thereafter, he was Minister in charge of the accession negotiations and earned considerable credit both for his handling of the Greek case and for mobilising the Athens bureaucracy—not one of the world's most efficient—in preparation for Greek accession.

In addition to his responsibilities as a Commissioner, he will undoubtedly be a key role in explaining the Community to a somewhat suspicious and scantily informed Greek public opinion.

Mr. Kontogeorgis is pushing for the transport portfolio

East Germany bans news about Poland

BY LESLIE COLITT IN BERLIN

THE OFFICIAL East German media have stopped reporting about Poland on the orders of the Communist party's ruling Politburo which is only permitting attacks on the independent Solidarity union and Polish dissidents to appear. The last such attack was published in Neues Deutschland, the main party newspaper, on December 30.

East European officials in East Berlin say the East German leadership has suspended an agreement with Poland under which the media of the two countries have regularly reported on each other in their Communist Party newspapers and on Government radio and television. According to a Politburo decision, no reports from East German correspondents in Warsaw are to appear unless they have been cleared for publication by Herr Joachim Herrmann, the East German Politburo member in charge of "agitation and propaganda," which includes the Press.

The East Europeans say that even features in a higher vein on Polish life are now forbidden in East Germany as the Communist leadership regards the political situation in Poland as "extremely serious." In past years, East German correspondents in Poland would interrupt the flow of "fraternal" party news from Warsaw with occasional items about nature or tourism in Poland.

Now, however, travel across the Oder-Neisse border between the two countries is almost non-existent following East Germany's suspension of visa-free border crossings.

The Government news agencies of Eastern Europe have co-operation agreements with each other under which official Press coverage is co-ordinated. Frequent conferences of editors-in-chief are held, such as the one last autumn in Hungary to establish a joint political line. The Central Committee secretaries who are responsible for the media in the seven Warsaw Pact countries also maintain close contact, and a set amount of newspaper space and TV time is devoted to reporting on party-approved events in the other Communist countries.

Genscher calls for European union treaty

By Our Bonn Correspondent

A NEW impetus in Europe towards a joint foreign policy and co-ordination of security policy has been urged by Herr Hans Dietrich Genscher, the West German Foreign Minister.

To this end, he has proposed the conclusion of a treaty on European union, which he felt could give a fresh political impulse to European integration and increase the weight of the EEC as a partner of the United States.

He underlined that a Europe which contented itself with discussion of market regulations, agriculture or rivalry between various EEC bodies, was faced with stagnation and would finally collapse. It would write itself off from influence in international political affairs.

Catalan challenge to Carrillo's leadership

BY OUR MADRID CORRESPONDENT

THE TRIUMPH of a hard-line pro-Soviet faction within the influential Catalan Communist Party has provided a serious challenge to the Spanish Communist Party leadership of Sr. Santiago Carrillo. It has also underlined the severe internal battles inside the Spanish Communist Party over whether Eurocommunism should be the principal article of faith.

The Catalan party has separate representation in the Communist International and is federated to the Spanish party of which it comprises more than a quarter of the membership. At the Catalan party's fifth congress in Barcelona which ended on Monday, delegates voted by 424 votes to 359 with 21 abstentions to remove all future reference to Eurocommunism. Calls for tough opposition to the Government were also endorsed.

The espousal of Eurocommunism by Sr. Carrillo and the Spanish party, coupled with a moderate attitude towards the Government of Sr. Adolfo Suarez, have been the most distinctive feature of Communist strategy since the party was legalised.

This is seen therefore, as a serious reverse for Sr. Carrillo. The defeat of his supporters has quickly led to the resignation of Sr. Antoni Gutierrez, his chief lieutenant in Catalonia, from all executive posts in the Catalan party. Previously, he was secretary-general. The party is expected to move fairly rapidly under the control of Stalinist elements who also succeeded in erasing any criticism of the Soviet Union in the congress's final statement.

Sr. Ignasi Rierra, who resigned four months ago as editor of Treball, the Catalan party paper, because of the increasing influence of the pro-Soviet element of the party, hinted in a article published yesterday that the Soviet Union itself was giving powerful backing, including financial assistance, to combat Eurocommunism and Sr. Carrillo.

The split in the Catalan party and its move away from any pretence as a party of government is liable to damage further the Communists' electoral image

Sr. Carrillo . . . defeat for his supporters

Go-ahead for second N-plant

By Our Madrid Correspondent

THE Spanish Government has approved the construction of a second nuclear plant at Vandellos near Tarragona on the Mediterranean. This is only the second nuclear permit to be granted since August, 1979, when the go-ahead was given to two stalled nuclear projects.

Spain's 10-year energy programme approved in July, 1979, endorsed the increased use of nuclear power to offset a 70 per cent dependence on imported energy. But implementation of the programme has been slow, largely as a result of greater Government caution over safety in the wake of the Three Mile Island incident in the U.S., and concern not to antagonise anti-nuclear groups.

Permission for a second plant at Vandellos has been pending for some time, but the timing has come as a surprise. It was thought the Government would wait until a new nuclear regulatory body had been formed.

At it is, permission for Vandellos II has been given with the minimum of publicity. The announcement merely appeared in the Official Bulletin. Vandellos will be a 950-MW pressure water reactor using Westinghouse technology and assistance. It is to be owned and operated by a consortium headed by the State-controlled utility Enher (54 per cent), but including three privately-owned utilities.

This confirms the growing trend of the state to take a dominant share in nuclear power, even though the original energy plan did not envisage such a prominent role. Of the four nuclear plants approved since August, 1979, the state has a stake in three.

Poullain fraud trial opens in W. Germany

BY JONATHAN CARR IN BONN

HERR LUDWIG POULLAIN, former head of the Westdeutsche Landesbank (West LB)—one of West Germany's biggest banks—has gone on trial charged with fraud, corruption and breach of trust.

After months of preparations, yesterday's proceedings took just 14 minutes. The trial was adjourned until today.

Herr Poullain, 61, who made no detailed statement, was relaxed and in good humour for the many photographs present.

A colourful personality, he was the driving force behind the creation of West LB through a merger in 1969. Herr Poullain has made it clear that he believes the charges against him are groundless.

But there seems to be more at stake in the trial at the state court in Muenster, North Rhine-Wesphalia, than Herr Poullain's future. The role of the Landesbank—which act, among other things, as central bank for state savings institutions—and the legal status of those who work for them, seems bound to come under renewed discussion too.

The charges centre on a consulting contract which Herr Poullain had in the 1960s and early 1970s with Herr Franz Josef Schmidt, a finance broker. Herr Schmidt was later arrested and taken into custody in connection with the collapse of a Stuttgart-based property group, and West LB put up bail for him with Herr Poullain's approval.

One issue is whether Herr Poullain is head of a Landesbank—an institution jointly owned by a state government, savings banks and regional associations—was a civil servant and thus barred from accepting outside consulting work. Herr Poullain has said this contract with the bank was not based on civil service provisions. The way the court decides this matter could set an important precedent for employees of all Landesbanks.

Another question is whether Herr Poullain damaged the bank by failing to disclose to his West LB colleagues full details about Herr Schmidt when West LB became financially involved with the broker.

In December, 1977—only weeks after he had been confirmed as head of West LB—Herr Poullain resigned, saying his integrity had been called into question over the consultancy. A month later the bank decided to fire him (with effect from the day he said he had resigned), on the grounds that he had violated his duty.

Spain weaves a safety net for textiles

BY ROBERT GRAHAM IN MADRID

TEXTILE MANUFACTURERS and the Spanish Government are in the final stages of discussion on a \$2bn restructuring plan. The plan is vital for the survival of a traditional Spanish industry employing almost 400,000 people and accounting for over 5 per cent of exports.

If action is not taken soon the textile industry will neither be able to cope with integration into the European Community or face up to increasingly cut-throat competition from Third World producers. "The situation for us is very serious now, with the prospect of 1981 being worse still," says Sr. Jose Mari Canellas, president of the Spanish Textile Federation. "But if the plan is approved we could see a revival within three years."

Already this year two large groups—Intelhorce and Hiyatasa—have been absorbed by the state after being near collapse, and at least half a dozen other small companies have applied for temporary receivership.

The plan, according to Sr. Canellas, is based on the assumption that Spain will join the Community. Therefore, as far as possible, the restructuring must conform with the Community's textile industry and its norms. Thus it will apply solely to those companies which agree not to increase production although every effort will be made to raise productivity. The aim is to increase per capita production from Pta 1.8m (at 1979 prices) to Pta 3.05m by 1985. Increased productivity is to be achieved by pruning the labour force and big investments in machinery.

Spanish textile manufacturers and Madrid are planning massive investment in machinery and a 25 per cent cut in the labour force.

Initially there was talk of up to 80,000 jobs being lost throughout the industry—just under 25 per cent of the total employed. This figure has now come down, but manufacturers believe a minimum acceptable cut over the next five years would be between 50,000 and 60,000.

The industry will in effect be switching from largely labour-intense production to a more capital-intense base. Investment will be directed primarily towards buying machinery, absorbing up to 80 per cent of the projected Pta 160bn (£842m) required in the restructuring plan. The remainder will go towards improving foreign sales outlets, investment in research and development, and improving quality. The private companies are suggesting they put up the Pta 52bn of the total funds. The state would then be expected to provide some Pta 75bn in long-term finance at 10 per cent and up to Pta 30bn in direct grants to write off losses over the next five years.

The unions have been kept on the sidelines, and so far have been less vociferous than expected over projected job cuts. Instead, they have criticised their exclusion from the talks and said that too much attention is being given to modernising plant and not enough to such issues as marketing, new technology, financial reorganisation and rationalisation of the supply of raw materials (Spain now has to import just over 50 per cent of its cotton and wool for textiles and is just under 10 per cent dependent on synthetic fibre imports).

The crisis of the Spanish textile industry is in good measure a phenomenon of local conditions. Since Gen. Franco's death in 1975 employers have increased wages sharply to obtain industrial peace. The real cost of this policy was exposed in 1977 when cheap official credit began to dry up as the financial system was liberalised. Manufacturers, suddenly facing greatly increased wages and social security costs, plus rocketing financial costs, also had to come to terms with a declining domestic market and greater international competition.

Productivity declined and has been doing so at an accelerating rate, especially as work hours have been reduced

The plan is therefore seen as a catalyst in stimulating new investment. But there are obstacles to overcome. First, the textile federation has to work out with the Government the extent to which the industry will be protected until Spain joins the Community, and then for a transition period. On this issue, the industry claims to be anti-protectionist, but it remains to be seen whether the spirit of a market economy can be adopted so quickly in practice.

Second, the Government has the problem of Intelhorce and Hiyatasa. Since the state took them over, it has controlled 12 per cent of yarn and thread production and 8 per cent of all clothing output, and is selling the products at as much as 10 per cent below private-sector prices. "Two rotten groups have been saved and to keep them alive the Government could easily undermine the healthy ones," said one textile company owner. The textile federation wants to be sure that the plan does not cover investments in these two groups. But discussions have to cover their activities. If they were not co-ordinated, they could seriously damage the private sector.

Lisbon Cabinet approved

BY DIANA SMITH IN LISBON

PORTUGAL'S PRESIDENT, General Antonio Ramalho Eanes, has accepted the Cabinet proposed by Sr. Francisco Pinto Balsemao, the Social Democrat leader. The 17 Ministers will be sworn in on Friday and the Government's programme will be presented to Parliament ten days later.

Sr. Balsemao is considerably more moderate than his right-ward-leaning predecessor—the late Sr. Francisco Sa Carneiro who died in an air crash a month ago. He has drawn on young, pragmatic Social Democrats, Christian Democrats, Monarchists and independents for his team reflecting the composition of the Democratic Alliance that first came to victory in December 1979 and increased its majority in the October 1980 legislative elections.

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Iran claims victories in war offensive

By Terry Povey in Tehran

IRAN YESTERDAY claimed to have captured 800 Iraqi troops and to have killed a further 585 in its continuing offensive launched on Monday, to break the stalemate in the 15-week-old Gulf war.

President Abol Hassan Bani-Sadr is reported to be confident that within two weeks Iraqi forces will be driven out of Iran. Thousands of people in Tehran took to their roofs last night shouting "God is great"

Reports reaching Tehran say that the initial Iranian attack was centred close to the city of Ahwaz, the capital of Iran's war-torn south-western province of Khuzestan. The attack was said to have pushed Iraqi forces some 14 miles to the south.

Mr. Hojatolislam Kamene'i, a senior religious leader, who witnessed the attack along with the President, said that it had been spearheaded by "our armoured forces." According to Mr. Kamene'i, the offensive involved the "co-ordinated use of artillery, ground forces, the air force, helicopters, the Revolutionary Guards and volunteer forces."

A further attack was reported to have begun yesterday against Iraqi forces besieging the oil refining city of Abadan and controlling parts of the neighbouring port of Khorramshahr. Iranian forces have moved from the east of these two cities from the town of Shadegan. One local official said: "We will soon liberate Khorramshahr."

More fighting is also reported near the town of Gilan-e-Gharb on the western front, close to Kermanshah. Iranian communiques say that the Iraqi forces have been pushed back to 28 miles south of Ahwaz, and that 86 tanks and nine helicopters have been destroyed or captured in the last two days.

[Iraq's state radio in Baghdad however described the two-day counter-attack as a "myth, existing only in the imagination of the Persian racist leaders." Communiques from the Iraqi military command spoke of "attempts against our forward positions that have all been crushed," AP reports.]

Tehran Press and radio yesterday broadcast messages of congratulations for the victory. Some of these were sent to Ayatollah Khomeini, Iran's leader, and others to Mr. Bani-Sadr.

Violence and gangsters rule in India's coal fields

BY DAVID HOUSEGO, RECENTLY IN CALCUTTA

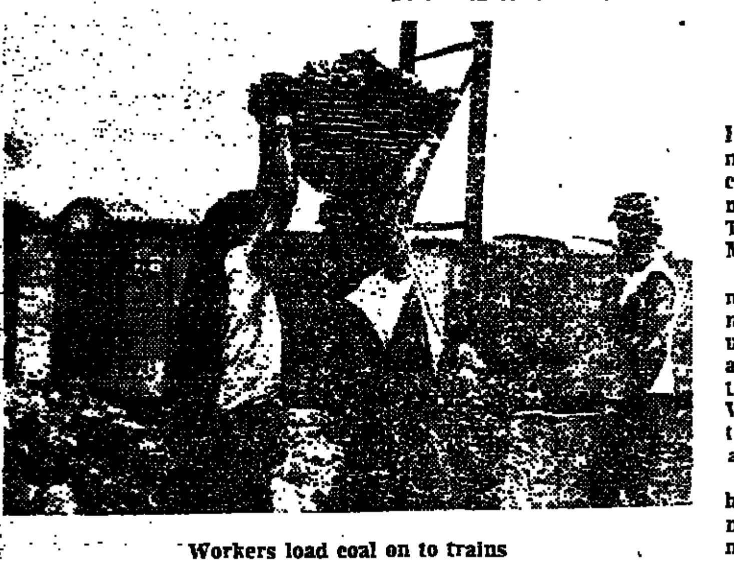
A PROMINENT businessman voiced a widely held view on New Delhi when he dclared: "The eastern region is pulling the rest of the country down."

By that he meant that Bihar and Bengal lie astride India's coal and iron reserves, and that much of the sluggishness of Indian industry can be blamed on the failure of the region's ageing coal mines and rail network to deliver the coal, power and steel the rest of India needs.

But he could have added to the list of problems which make the eastern region seem so vulnerable from Delhi: Assam is still bristling with unrest over demands for the expulsion of migrant workers preventing the full resumption of oil production in the province; similar agitation has spread to Orissa, where a curfew was recently imposed around the state-owned Raurkela integrated steel mill; and in West Bengal the Marxist state government is skirmishing with Mrs. Gandhi for control.

The Rajdhani Express from Delhi—still the fastest train on Indian railways, although it has not added much to the speeds it achieved 40 years ago—carried me overnight to Dhanbad in the heart of the Bihar/Bengal coal belt. It is a town blackened by the dust of the mines, with a nationwide reputation for violence and gangster rule in the coal fields, which does not blench at the blinding of prisoners by police as occurred at Bhagalpur, not far to the north, and where the landscape is appropriately scarred with abandoned pit shafts and mounds of slag as though some massive bombardment had recently ended.

In the same compartment on the train was a senior railway official taking up a special assignment in the east. In an attempt to cut down theft, he said, armed guards had been posted on freight wagons. But it was now difficult for them to shoot because the gangs pushed women and children to the fore as they robbed the trains.



Workers load coal on to trains

Dhanbad is India's main coke-producing region, and is thus vital for the steel industry, but the scale of theft defies imagination. At Dhanbad station a transport manager said that from every 22- to 24-ton wagon, two tons were stolen between pithead and delivery point. "You cannot believe it," he said. "There is pilfering at every stage: when the coal is loaded, in the sidings, and while the train is on the move." The robbers include petty thieves as well as large gangs. "They stop the trains, often with the connivance of the security guards, and load the coal on to lorries.

Dhanbad has become a sort of no man's land where the power of the gang leaders, who run the mines, has superseded the law. They built up their authority when the coal fields were still in private hands and the coal owners needed thugs to drive men down the pits.

The Government took over the thugs as "part of its dowry" when it nationalised the mines in 1973. The gangs have enhanced their power since by gaining control of miners' unions, extorting protection money from the members, trading in stolen coal, contracting to supply the mines with sand and timber, and producing illegal coal themselves.

The published statistics put India's coal output last year at 106m tonnes—about the same level as in the previous four years. But officials in Delhi admit the figure does not mean very much, as the amount of illegally mined coal could range from 1.5m to 15m tonnes, and as officially declared coal has often been so diluted by slag and stone as to be scarcely coal at all.

The coal mafia's wealth and power has established a network of influence encompassing the police, the management of Coal India, the state corporation which runs the mines, members of the Bihar state assembly and government and New Delhi politicians. When a recent chief minister of Bihar tried personally to enforce the arrest of one coal boss on multiple charges of murder, the state assembly turned him out of office.

In an effort to raise coal production, Coal India is embarking on a massive programme of investment and modernisation. But its management is widely condemned as inefficient and corrupt. Mr. Kalyan Roy, a Communist who represents the region in the Rajya Sabha (Upper House) and a strong critic of Coal India, calls for the whole top management to be sacked.

Driving from Dhanbad past old colliery wheels which look like exhibits in a mining museum, it is hard to believe the miners are among the best-paid workers in India (the gang leaders have helped to push up their pay). The figures shuffling from the pits are little more than skin and bone. At the Putki colliery, women with baskets on their heads carry immense loads of coal from pithead to wagon.

The Moonidih mine nearby—one of the region's most mechanised mines, where Dowty of the UK are supplying equipment—was closed for almost a month in September after some managers had been assaulted. Absenteeism averages 50 per cent of the workforce every day.

From Moonidih it is a short drive to Bokaro, India's newest steel mill, which is being built with Russian help and is still not completed after 14 years of planning and construction. Stocks of coke earlier this year were down to less than 24 hours supply. The day I was there, power shortages had put the hot rolling mill out of action.

Travelling on to Calcutta from Dhanbad on the Black Diamond express I picked up the Calcutta daily The Statesman, and read one of those items which make no sense until you have seen the coal belt. It read: "Passengers protesting against the carrying of huge quantities of iron and coal by some people in a Burdwan-bound passenger train from Dhanbad held up the train for about two and half hours . . . It was alleged that this had become a regular affair, causing inconvenience to the commuters."

Mrs. Gandhi seems at a loss to know what to do about the problems of coal—or indeed of the eastern region. The New Security Act, providing for preventive detention of up to a year, has already been employed in Bihar, reviving memories of the Emergency which was also in part precipitated by strikes and violence in Bihar.

Sanjay Gandhi is said to have favoured denationalising the mines. None of the solutions seem to come up to the dimensions of the problem and the simplistic are likely to be the least endurable. But the business executive was right: somewhere in the tangle of lawlessness, decaying industry, miserable working and living conditions, overcrowding and poverty, the eastern region is dragging down the rest of the country.

Boost for nuclear power

BY K. K. SHARMA IN NEW DELHI

INDIA PLANS to increase its nuclear power generating capacity to as much as 10,000 mw by the end of the century. The present capacity is 1,700 Mw.

The Atomic Energy Commission said many more new nuclear plants would be set up in addition to the two that are already functioning, and the two that are being built. When all four are operating, their total capacity will be about 7,350 Mw.

To meet the demand for heavy water, essential for nuclear plants, the Commission plans to set up new plants which will produce an additional 13,000 tons by the turn of the century. India presently imports some of its heavy water from Russia.

The seven new heavy water plants are in addition to those which will be set up at Thal in Maharashtra and Hazira in Gujarat as part of the industrial complex which will be based on feedstock from the Bombay offshore oilfield.

Five heavy water plants are already in operation in India with a total capacity of 315 tons. But this is not enough to cope with the heavy demand

Kissinger attacks EEC peace initiative

By David Lennon in Jerusalem

DR. HENRY KISSINGER, the former U.S. Secretary of State, sharply criticised the idea of a separate European Middle East peace initiative yesterday. "It cannot go on indefinitely that we insist on united defence and separate foreign policies," he said at a Press conference here. Dr. Kissinger also said that he will urge President-elect Ronald Reagan to station limited U.S. forces in the Middle East to offset the growing Soviet presence.

Though on a quasi-private visit, Dr. Kissinger said that he will report to Mr. Reagan on his tour, which has already included Egypt, Somalia and Israel, from where he flew yesterday to Saudi Arabia. He said his views are analogous to those of senior Reagan officials.

Dr. Kissinger said that Europe was mistaken in thinking that creating a Palestinian state would ease all the problems of the Middle East. "The U.S. and Europe should adopt a co-ordinated policy," he said, because having two different approaches "is bound to create the temptation to play off Europe against the U.S."

Because of the Soviet presence in Afghanistan and by proxy in Ethiopia and Chad, Dr. Kissinger believes that there should be "some visible U.S. presence" in the region. "I am not talking about large expeditionary forces," he said. At this moment what we need are facilities out of which air forces and naval forces and maybe small specialised ground units can operate."

The facilities, he believes, "would at least indicate that we are there, and that attacking key countries is not a matter in which the U.S. can be disinterested. We cannot refrain from doing what is necessary because we are mesmerised by the illusion that the Soviets can do anything they want and we can do nothing."

On the issue of bringing Jordan into the Egypt-Israel negotiations on the Palestinian question, Dr. Kissinger admitted that he may have been wrong in thinking that this was the way to advance the stalled peace process.

Geneva talks on Namibia open amid pessimism on all sides

BY MICHAEL HOLMAN IN GENEVA

TALKS AIMED at paving the way for the implementation of the United Nations plan for Namibian independence open here today amid widespread misgivings about prospects for success.

The main purpose of the week-long conference in the Palais des Nations, scheduled to be opened by Dr. Kurt Waldheim, the UN Secretary-General, is to convince participants that proposed independence elections to be conducted under UN supervision would be fair.

But officials in all major delegations privately express doubts and exude mutual suspicion. The South African Government itself, and the Democratic Turnhalle Alliance (DTA) which controls the country's national assembly, have made no secret of their doubts about UN integrity.

The main nationalist organisation, the South West Africa People's Organisation (SWAPO), suspects that Pretoria and the Alliance are merely playing for time and have no real intention of accepting settlement proposals. The UN plan is the product of protracted negotiations orchestrated by the five Western members of the Security Council with the backing of the five African front line states.

But observers draw some encouragement—from the fact that for the first time the protagonists will be gathered under one roof. Leading the SWAPO delegation is Mr. Sam Nujoma, the party's president. Mr. Dirk Mudge will head the DTA, and Mr. Danie Hough, Pretoria's Administrator-General of Namibia, will also be present, as will senior South African officials including Dr. Brand Fourie, Director-General of Foreign Affairs, and General Jannie Geldenhuys, commander of the South African Army

Although Dr. Waldheim will open the conference, subsequent sessions will be chaired by Mr. Brian Urquhart, UN Under-Secretary General for Special Political Affairs. Senior officials from the Western five and the front line states will attend as observers.

Eve of conference comments from Pretoria in Windhoek have contributed to the pessimistic mood. In a radio interview, Mr. Pik Botha, the South African Foreign Minister, declared that the republic would rather face economic sanctions than allow the installation of a "terrorist group" as the Government of Namibia, while Mr. Mudge warned on his departure for Geneva that "we will shoot until an agreement is reached."

Mr. Botha's position is in keeping with the deliberately ambiguous position maintained by his Government on whether it would recognise an election victory by SWAPO, which it regards as a Soviet-backed terrorist group.

South African diplomats stress that Pretoria would reject the result only if it were based on intimidation or due to partiality by the UN supervisors — though both issues could prove hard to define.

● Quentin Peel adds from Johannesburg: South African security forces claim to have killed 1,467 SWAPO guerrillas during 1980—and a further 81 guerrillas in raids on SWAPO bases inside Angola during the past week, it was announced in Windhoek yesterday.

Editorial comment, Page 18

Canute James in Kingston assesses the attempts by 12 small countries to achieve economic integration

Caribbean nations learn the lessons of community living, just in time to avoid the last economic rites

IN THE English-speaking Caribbean, Dr. Eric Williams, Prime Minister of Trinidad and Tobago and a veteran of the region's politics, is accepted as the fount of wisdom on regional affairs. Consequently, when Dr. Williams said recently that the Caribbean Common Market (Caricom) was "on its last legs," many people sat up and took notice.

It was not the first time for the last rites to be prepared for the seven and a half year old effort to integrate the small and vulnerable economies of the Caribbean archipelago, stretching from Jamaica in the West to Trinidad and Tobago in the south-east, and including Guayana in South America and Belize on the Central American mainland.

Defenders

However, the troubled economic community has its defenders, such as Mr. Henry Forde, the Foreign Minister of Barbados. "The survival of the Caribbean is possible only in the long run through co-operation," he says in defence of the grouping of 4.5m people, balanced between Jamaica's relatively large market of 2.1m and the financial might of Trinidad and Tobago's billions of petrodollar reserves.

The community, launched in 1973 after a five-year experimental free trade association by Jamaica, Trinidad and Tobago, Guayana and Barbados, and joined the next year by eight smaller members, has made small but discernible progress, despite such hindrances as accusations and counter-accusations of unfair trading practices and the inability of such battered economies as Jamaica's and Guyana's fully to liberalise trade.

Leading the integration effort at the Caricom secretariat in Georgetown, Guyana, is Dr. Kurleigh King of Barbados, the community's secretary-general. Dr. King says that although most problems of the integration effort are economic, they have been exaggerated by political difficulties. One lesson from the ill-fated East African community, Dr. King says, was that heads of Government did not speak to each other. This state of affairs has become the order of the day in the Caribbean.

Mr. Tom Adams, the Prime Minister of Barbados, and Mr. Maurice Bishop, the Prime Minister of Grenada, are locked in a verbal war. Mr. Bishop does not speak with Mr. Forbes Burnham, the Prime Minister of Guyana. Dr. Williams does not like Mr. Burnham's politics, and also refuses to open letters from Mr. Bishop. Some Caribbean politicians have not forgiven Mr. Edward Seaga, the new Jamaican Prime Minister, for statements he made at a regional finance meeting in the late 1960s, while Mr. Seaga takes a dim view of Dr. Williams's recent statements on meetings he had with the International Monetary Fund.

The heads of government last met in general discussions on the community in St. Kitts in December 1975, and sat only briefly together the following March to talk about reorganising the regional University of the West Indies.

But the community's vital ministerial council met regularly, as have the community's standing committees of ministers dealing with co-operation. The real work is done there, Dr. King argues, not at summit conferences.

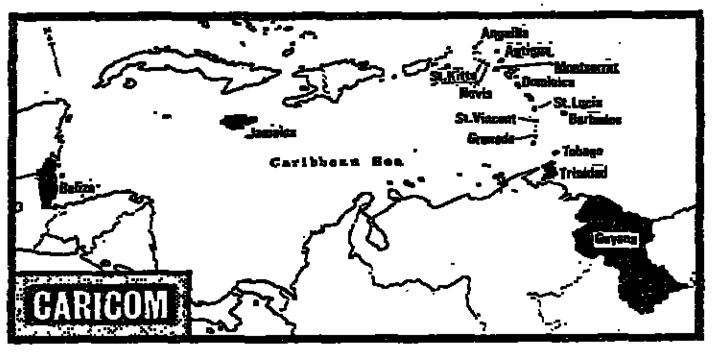
Despite the setbacks to the Jamaican and Guyana economies, the volume of trade between community members grew from U.S.$235m in 1973 to U.S.$653m in 1978, the last year for which figures are available.

But besides trade, the Caricom countries have been co-operating more and more. The regional West Indies Shipping Corporation has been expanding its services. A U.S.$100m food corporation has been established to oversee large-scale regional farms, aimed at reducing the Commonwealth Caribbean's U.S.$500m annual food import bill. The corporation will buy fertilisers and chemicals in bulk. The East Caribbean's air transport system has been reorganised through the island-hopping Leeward Islands Air Transport (LIAT). And a multilateral clearing facility established three years ago has moved credit limits from U.S.$80m to U.S.$100m. There is also co-operation in such areas as health, education, meteorology.

CARICOM NATIONS: THE BASIC FACTS

	Area (sq km)	Population ('000)	GDP (U.S.$m, 1978)	Real GDP growth (1979)
Trinidad/Tobago	5,128	1,140	3,851	1.0%
Jamaica	11,424	2,130	2,509	− 1.0%
Barbados	430	260	509	5.0%
Guyana	215,000	830	479	− 4.3%
Belize	22,965	136	120	3.3%
St. Lucia	616	120	87	− 0.6%
Antigua	443	75	74	0.0%
Grenada	344	110	62	1.9%
St. Vincent	388	111	46	− 0.6%
Dominica	790	82	38	−17.0%
St. Kitts-Nevis	396	60	35	2.0%
Montserrat	104	14	10	5.2%

Sources: IMF and World Bank



And while Dr. Williams was talking of Caricom's failure, his Government was offering a U.S.$200m oil facility to the economically battered members of the community—a facility which some governments claim is much better than a similar deal Mexico offered Caricom.

One point which continues to worry the community's architects is the feeling among smaller countries that their economic aspirations could become secondary to those of the relatively more developed four original members. Three months ago, the East Caribbean Common Market, created by the smaller countries, changed its name to the Organisation of East Caribbean States. The seven are making use of provisions in the Caricom treaty for this tighter union to allow them to deal collectively, and more confidently, with the four larger members.

Disaffection

"Rather than indicating disaffection," says one Caricom official, "the new development should strengthen economic co-operation. Previously there were four larger countries and several smaller ones. Now there are five blocks, so to speak, if one remembers that Belize is not included. It is part of streamlining relations within Caricom."

The community's future is the subject of a study to be completed this month by a group of "wise men," including former secretaries-general Mr. William Demas, now head of the Caribbean Development Bank, and Mr. Alistair McIntyre, head of the UN Conference on Trade and Development's Commodities division. Some other members are Mr. Sonny Ramphal, secretary-general of the Commonwealth and former Foreign Minister of Guyana, and Sir Arthur Lewis, nobel prize winner and Caribbean economist.

The group is looking for solutions to economic and non-economic problems facing Caricom, particularly how to deal with problems of energy, balance of payments and regional trade.

Dr. King admires the West African economic community, he says, because it has managed to bring together French and English-speaking countries. He feels it is unnatural for Caricom to be made up only of Commonwealth Caribbean states. The Bahamas have observer status and have not exercised the option to become a full member. Haiti has applied for membership, but present members feel Haiti's limited productive and purchasing power could be detrimental to the struggling community.

Dr. King did not say which countries had indicated an interest, or which he thought would be interested if they were to be approached. He thinks, however, that Caricom could one day include such countries as the Cayman Islands, the Turks and Caicos Islands, the Bahamas and the Dominican Republic.

Regan argues for 'steady' economic policy

BY DAVID BUCHAN IN WASHINGTON

INTEREST RATES, inflation and unemployment in the U.S. are all expected to remain high throughout 1981, Mr. Donald Regan, Republican nominee as the new Treasury Secretary, told the Senate Finance Committee yesterday.

Mr. Regan, who has headed the brokerage firm of Merrill Lynch, was making his first public appearance before the committee, which has to confirm his appointment to Mr. Ronald Reagan's cabinet.

He gave the Senators a very downbeat forecast on the economy, saying that the country's gross national product was likely to continue its decline in real tersm into 1981. Unless investment and productivity were increased, unemployment would go higher than the present 7.5 per cent level.

Mr. Regan said the country's economic plight was not a cause for panic, but rather for a steady approach by Government to win back the confidence of the financial market and private sector in Washington's determination to rein in public spending and to reduce investment disincentives.

For this reason, Mr. Regan said he did not plan to recommend to the President-elect that the new Administration should seek special emergency powers or declare a state of economic emergency. Such a cause has been urged by Mr. David Stockman, the new Reagan budget director and with Mr. Regan the only top economic office holder to be nominated so far.

The senators were given little specific outline of the new Administration's programme. Mr. Regan said he preferred to leave this to the new President.

Mr. Regan: warning of tough measures

But he added that it would involve tough decisions on spending cuts and discipline in reducing taxes.

According to Mr. Caspar Weinberger who has been nominated as Secretary of Defence by Mr. Reagan, the U.S. should resume negotiations with the Soviet Union to reduce nuclear arsenals. It should make every effort to get a vastly better strategic arms limitation agreement than the one (SALT 2) signed by President Carter 18 months ago.

Mr. Weinberger expressed this as his "personal view" yesterday in Senate committee hearings about his nomination.

He expected the 1981-82 Reagan defence budget plan would show substantial increases over present levels. At the same time, he promised to use his expertise to prune unnecessary expenditure.

Reagan eases Mexican anxiety

BY WILLIAM CHISLETT IN MEXICO CITY

THE MEETING between the U.S. President-elect, Mr. Ronald Reagan, and President Jose Lopez Portillo of Mexico appears to have set the scene for greater co-operation between their two countries.

The two leaders, having agreed at their talks in Ciudad Juarez on Monday that there should be more consultation, decided specifically to consult one another ove rthe deteriorating situation in El Salvador.

At present Mexico's policy towards El Salvador is very much at odds with the U.S. line. The U.S. backs the civilian-military junta in the troubled Central American country and the Republican Administration is expected to step up support, but Mexico morally backs the Left.

Emboldened by its oil wealth, Mexico views Central America as the area where it can have most direct influence. It fears that increased U.S. involvement in the region could lead to violence spilling over into Mexico.

Mr. Reagan's disposition to consult Mexico over El Salvador—and if necessary set up a bilateral consultative mechanism—appears to have taken some heat out of the issue.

In a remarkably short space of time, the meeting between the two leaders has dispelled Mexico's initial fears about the incoming Republican Administration. Sr. Jorge Castaneda, Mexico's Foreign Minister, described the talks as "a complete success."

Mr. Reagan's decision to make an early visit to the U.S.'s oil-rich southern neighbour and emerging Third World power has gone down well. The President-elect indicated that he would attend the North-South dialogue which is expected to be held in Mexico in June with the participation of about 20 Heads of State.

In a country which sets great store on personal relations and which is acutely sensitive to the "Big Brother" approach, Mr. Reagan was careful not to commit the errors of President Carter when he came to Mexico in 1979.

Mr. Carter's remarks about how he once got Montezuma's revenge (diarrhoea) in Mexico have still not been forgotten.

Presidential Press chief appointed

By Jurek Martin, U.S. Editor, in Washington

MR. RONALD REAGAN, the President-elect, yesterday appointed Mr. James Brady as the new White House Press Secretary.

Mr. Brady, 40, has been serving as spokesman for the Reagan transition office in Washington. He joined the Reagan campaign after Mr. John Connally's presidential candidacy collapsed in the spring.

Mr. Brady is not a member of the President-elect's inner circle and the same influence that some recent press secretaries have enjoyed as a result of having direct access to the President.

In fact, it is known that Mr. Reagan's head-hunters have been searching for somebody else to fill the post, preferably a well-known working journalist.

Consistent policy

The appointment of a low-profile, low-influence Press Secretary is, on the face of it, consistent with Mr. Reagan's intention that the White House staff should be less visible and not upstage the policy-making responsibilities of the Cabinet departments.

Mr. Richard Allen, the incoming National Security Adviser, for example, has made it clear he will not inherit the weighty authority enjoyed by Dr. Zbigniew Brzezinski and Dr. Henry Kissinger under Presidents Carter and Nixon.

But experience suggests that a President inevitably comes to rely on those closest to him for advice and that such people are generally found in the White House.

There is no suggestion, for instance, that Mr. Edwin Meese, who will be counsel to the President, or Mr. James Baker, chief of staff-to-be, will not wield considerable influence politically. Likewise Mr. David Stockman, Budget Director-designate, will have an important say in economic policy.

Fiat hopes for tractor deal with Peking

By James Buxton in Rome

FIAT is shortly to send a team to China in the hope of concluding a major contract, under negotiation for more than two years, for the mechanisation of Chinese agriculture.

The first phase, said to be worth \$40m-\$50m (£16m-£20m) would cover the design of tractors and engines. This would lead to the reconstruction and re-equipment of existing tractor factories and to the design and equipment of a completely new farm machinery facility.

The figure unofficially put on the cost of the whole project is \$600m.

The Turin-based concern yesterday refused to confirm or deny reports that its delegation would finalise details of the contract to prepare for signing the first phase. Nor would it confirm the figures.

It was emphasised that there had been many rounds of negotiation and that the Chinese authorities had before them proposals from several other Western farm machinery manufacturers.

Fiat's involvement with China dates back to 1978 when it submitted a plan to the Chinese authorities for the modernisation of the Chinese farm machinery industry.

The plan was accepted in principle and the Italian Trade Minister of the day arranged a \$1bn line of credit over eight years for Italian trade with China.

Since then, the extent and cost of the Fiat project has gradually been reduced to little more than half what was originally intended.

It is pointed out that a considerable part of the cost would cover materials and labour supplied by China itself rather than by Italy. So far, the credit line has not been drawn on.

Apart from the uncertainties surrounding the Chinese policy of buying technological know-how from the West, Fiat, which has a representative office in Peking, has faced considerable competition

Japan-EEC talks later this month

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

"HIGH-LEVEL" consultations between Japan and the EEC, the first to be held since last May, will be held in Tokyo on January 28 and 29, the Japanese Foreign Ministry has announced.

The consultations will be headed by Sir Roy Denman, Director-General for External Relations at the EEC Commission, and Mr. Kiyoaki Kikuchi, Deputy Minister of Foreign Affairs.

They will centre on the problem of the widening Japan-EEC trade gap, with the EEC hoping for some new proposals from Japan on ways to stabilise the situation.

Japan sold \$7.8bn worth of goods more than it bought from the EEC during the first 11 months of 1980—according to Japanese customs clerance statistics which actually tend to understate the size of the trade gap.

This was an increase of more than 75 per cent in the size of the gap from the same period of 1979. The gap widened because Japan's exports to Europe grew substantially while its imports stagnated.

A series of exchanges between the two sides, including two visits to Europe by senior Japanese officials, took place in the final weeks of 1980.

So far, however, Japan has not reacted formally to a strongly worded resolution demanding "early and tangible" action to reduce the trade gap which was drafted by the EEC Council of Ministers last November.

Mr. Masayoshi Ito, Japanese Foreign Minister, appears to have only restated known Japanese positions on the trade issue when he toured European capitals in December.

The EEC would like Japan to come up with a precisely-worded target for increasing its imports of manufactured goods from Western industrial countries at the Kikuchi-Denman talks, but this appears unlikely.

At most, Japan will probably repeat assurances that it hopes for some increase in imports of Western manufactures during 1981.

On the export side, the EEC will draw attention to rapid increases in exports of specific products—cars, TVs, etc.—to specific markets in 1980.

Sir Roy, however, will not be in a position to negotiate restraint agreements covering these or other products, since the EEC Commission lacks a mandate from its member-nations to do this.

Miyago plans to export trucks to China

BY OUR TOKYO CORRESPONDENT

A VEHICLE dealer in North East Japan is negotiating with the City of Tientsin Traffic Bureau to export 10,000 used trucks a year to China for the next 10 years.

The company, Miyago, is located in Aomori, the northernmost prefecture of Japan's main island of Honshu, but its president, Mr. Shunichi Izumiyama, is deputy head of the All Japan Truck Association.

On visits to China in his official capacity, Mr. Izumiyama found strong interest in second-hand truck purchases. He also found car repair workshops in major cities such as Tientsin in need of technical assistance to step up productivity.

Miyago expects to start shipping trucks to Tientsin in February and will form a joint venture for truck repair with the Tientsin traffic bureau if direct shipments of trucks get off to a smooth start during the first year.

Exports of trucks from other regions of Japan to other Chinese cities may start if the Aomori scheme proves successful.

Exports of second-hand vehicles from Japan are normally subject to strict controls by an industry association which exists to preserve the reputation of Japanese manufacturers.

The trucks sold to China will be exempted from these controls and shipped in the condition in which they are received from purchasers so that all repair work on the vehicles can be carried out in China.

Japan shipped about 16,000 new trucks to China during the first 10 months of last year. The shipment of used trucks could thus amount to about 60 per cent of new truck sales, even if no other company follows the lead set by Mr. Izumiyama.

AP-DJ reports from Tokyo: Suzuki Motor Co., will step up production of its knock-down models in Asian countries, beginning early this year, a Suzuki official said yesterday.

Suzuki, based in the central Japanese city of Hamamatsu, plans to triple motorcycle production capacity in Jakarta to 9,000 units a month in joint efforts with P. T. Mobil Utama with which Suzuki has concluded a technical operation agreement, the official said.

The Japanese and Indonesian car producers also will channel the equivalent of \$10m to upgrade a motorcycle parts plant in Jakarta into a factory capable of turning out 2,000 800cc commercial vans per month.

Brock likely to become Reagan's trade chief

By Jurek Martin, U.S. Editor, in Washington

MR. BILL BROCK, national chairman of the Republican Party, is apparently the leading candidate for the post of U.S. special trade representative in the new Reagan Administration.

Moreover, contrary to earlier speculation, it is now at least possible that this office, which acquired considerable authority in the Carter government, will not be absorbed by the Commerce Department but will continue to report directly to the President.

This is reported to be the tentative, and non-binding, recommendation of the Reagan transition team dealing with trade and commerce. At present, the Trade Office, technically a part of the White House, is represented in the Cabinet.

The transition memorandum does not advise on whether or not Cabinet status should be retained, but argues in favour of its continued independence.

Some Senators, led Mr. William Roth, the Republican from Delaware, have been pushing for the creation of a Department of International Trade and Industry along Japanese lines, combining the functions of Commerce and the Trade Office.

Some Senators, led by Mr. Reagan inner circle, including his White House counsel-to-be, Mr. Edwin Meese, are on record as preferring the simple amalgamation of trade and commerce, with the special trade representative reporting to the President through the Secretary of Commerce.

If Mr. Brock does get the job, it will resolve what has become a heated controversy over how he should be rewarded for his achievement in directing the Republican party to its considerable electoral gains in last November's polls.

The right-wing would undoubtedly prefer someone like Mr. William Middendorf, a former Secretary of the Navy, a banker, and a well-known figure on the Washington political scene.

Afghanistan and Soviet Union sign new pact

BY DAVID SATTER IN MOSCOW

AFGHANISTAN HAS signed an agreement with the Soviet Union on major new deliveries of automobile equipment, consumer goods, seed and fertiliser in 1981-83, in a further bolstering of its position as one of Moscow's major trading partners in the Third World.

Tass the Soviet news agency gave no details of the new trade agreement, but said that trade between the Soviet Union and Afghanistan was developing rapidly because of the countries' geographical proximity and the needs of Afghanistan's expanding national industry.

The agreement was signed by Mr. Vitaly Morozov, First Deputy Chairman of the Soviet Committee for External Economic Ties, and Mr. Sultan Ali Kishtmand, Afghan Planning Minister. Afghanistan has also recently signed a trade agreement with Czechoslovakia and a scientific agreement with East Germany.

The volume of work in the Soviet port of Termez, the main trans-shipment base on the Amu Darya River for trade between the two countries, had increased considerably, Tass added.

Soviet-Afghan trade in 1980 will have had a value of more than Roubles 400m (£268.4m)—an increase of 24 per cent over the value of trade in 1979 which totalled Roubles 324m.

The Soviet-Afghan trade agreement for 1980 had originally called for trade to expand to a total turnover of well over Roubles 500m, but this level of expansion may have been prevented by the inability of Afghanistan's primitive economy to absorb Soviet manufactured goods.

Tass made no mention of the future of Soviet imports of natural gas from Afghanistan. Natural gas deliveries were to have been increased substantially in 1980. Natural gas is Afghanistan's most important export, and shipments to the Soviet Union have recently accounted for 20 per cent of Afghan export earnings.

CGE-Alsthom wins £62m hydro contract in Peru

BY TERRY DODSWORTH IN PARIS

CGE-ALSTHOM, France's leading heavy electrical equipment manufacturer, has won a FFr 623m (£62m) contract in Peru for a turnkey underground hydro-electricity plant at Machu-Picchu.

The deal follows only shortly after the Alsthom group, which manufactures a wide range of turbines and electricity generating equipment, won a part of a significant order in Colombia.

Earlier last year, the company carried off another big overseas contract, when it reached agreement to supply FFr 1.1bn worth of power station equipment to the Greek Public Power Corporation.

The Peru contract gives CGE-Alsthom, a holding concern in which the CGE electrical group has a 50 per cent controlling interest, overall responsibility for co-ordinating work on the hydroelectric project. This includes an overhead power line to Cuzco and extensions in the electricity distribution system of the city and the surrounding region.

Another French group, Jeumont-Schneider, a subsidiary of the Empain-Schneider concern, will supply the alternators, while SGE-TPI will be in charge of the civil engineering.

Work on the project, to be financed by buyer credit arranged by the Banque de Paris et des Pays-Bas, is due to be completed in 1985.

Shipbuilding recession has ended, say Japanese

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE WORLD shipbuilding recession has bottomed out and world output of ships is expected to start growing gradually over the next five years, according to a forecast by the Shipbuilders' Association of Japan (SAJ).

Japanese shipbuilders account for roughly half the world total and they estimate that shipbuilding output grew marginally in 1980 from its low point of 14.3m grt (gross registered tons) in 1979.

Last year, world shipyards completed 14.9m grt according to the SAJ, and this year, output is expected to grow to 17.1m grt.

The upturn in world shipbuilding has come a year earlier than the Japanese expected at the time of the last forecast in April, 1978. Then they had forecast that output would continue falling from its 1975 peak of 34.3m to around 12m grt in 1980. However, it has now upgraded its forecasts to take account of the growing inefficiency of the world fleet and the demand for steam coal.

Over the five-year period 1981/85, the Japanese forecast that 96.5m grt of new ships will be built. Tankers are forecast to account for 30.4m grt

Nissan to make engines in Australia for Asia plants

BY OUR SYDNEY CORRESPONDENT

THE manufacturer of Datsun cars in Australia, Nissan Motor Manufacturing, is planning to make four cylinder engines locally for export to South-East Asian markets.

It is believed the company will shortly join General Motors-Holdens in the Federal Government's export complementation—or export credit—plan to produce the engines for Nissan assembly plants in Asia.

GMH is already building a four-cylinder engine plant in Melbourne, with most of the engines destined for General Motors' assembly plants in Europe.

The Nissan move will mean another significant boost for the local car industry and further strengthen Nissan Motor's components manufacturing base in Australia.

Reports from Tokyo yesterday said the Japanese-based Nissan group would use its Australian subsidiary to produce engines for a new range of front wheel drive fuel efficient "world cars."

Production is scheduled to start in 1983 or 1984 and initial output of the plant is expected to be 40,000 to 50,000 engines a year.

Mexico export package could cause trouble with U.S.

BY WILLIAM CHISLETT IN MEXICO CITY

THE MEXICAN Government is preparing a package of fiscal incentives and measures to streamline bureaucracy surrounding trade matters in order to boost the sagging exports of the non-oil sector.

The package, expected to be announced this month, could intensify trade friction with the U.S., Mexico's major trading partner.

Changes in U.S. trade laws are making it easier for countervailing duties to be levied against subsidised Mexican exports.

Mexican trade officials have not disclosed the extent of the new measures. But they will amount to an overall increase in Cedis, which are rebates of indirect Federal taxes and Customs duties, moves to promote more trading companies, greater access to export financing from funds run by Nacional Financiera, the State development bank, and the Banco de Mexico, and a streamlining of the maze of bureaucracy which has to be navigated in order to export.

The Commerce Ministry will be the issuing authority for all export paperwork. At the moment there are some 60 private and public sector export organisations. The paperwork is so burdensome that trade officials call it "the exporters' crucifix."

Mexico's experience last year has made the Government painfully aware of its enormous dependence upon oil, which this year will account for about 70 per cent of total exports compared to 42 per cent in 1979.

Non-oil exports are falling in current terms. In the first nine months of 1980, they were \$3.48bn (£1.4bn) compared with \$3.5bn in the corresponding 1979 period, according to the Banco de Mexico.

Mexico's trade deficit was \$2.2bn, compared with \$2bn for the first nine months of 1979.

This year, the Government hopes, will be the year when a concerted effort is made to reduce the country's alarmingly fast-growing dependence on oil.

The non-oil sector export drive is of great importance for Mexico. Officials acknowledge that only by using the oil revenue to build up a far more diversified and export orientated economy has the country any chance of overcoming its economic problems.

If the present accelerating trend establishes itself as a permanent pattern, there is a possibility that Mexico's proven oil and natural gas reserves, the world's sixth largest, will dry up.

If this were to happen, oil will have miserably failed to fulfil its central role of transforming Mexico into a developed economy.

Mr. Ronald Reagan, U.S. President-elect, shares a friendly meeting with Mexico's President, Jose Lopez Portillo. But already, trading problems are apparent.

Such a failure to meet rising expectations, would place a tremendous strain on the Mexican political system which so far has been remarkably stable.

But, while there is a realisation at the highest levels of Government of the seriousness of the situation, the measures themselves highlight the Government's reluctance to really tackle the trade problem.

The fiscal incentives are designed to compensate for the overvalued peso which, along with lack of productivity and efficiency of the manufacturing sector, are the main factors behind the poor performance of the non-oil exports.

The domestic market is also growing very rapidly and, since it is still highly protected—Mexico rejected membership of the General Agreement on Tariffs and Trade (GATT) earlier this year—there is little incentive to export.

Mexico's inflation is running at about 28 per cent this year, some 14 per cent more than in the U.S. But the Government is reluctant to devalue.

With no significant reduction in the Mexican inflation rate envisaged, the peso is likely to become more and more overvalued.

Rather than pursue a more realistic exchange rate policy, which would boost non-oil exports (oil is dollar denominated), the Government is taking an alternative course of increasing incentives.

The Government is considering stepping up the pace of the peso's creeping devaluation from this month on a weekly basis. But this policy so far has been very timorous. Since March the peso has been allowed to slip by about 2 per cent against the dollar.

Significantly, parts of the private sector, in stark contrast to the situation in 1976, have asked President Jose Lopez Portillo for a more realistic exchange rate policy as the present one is making it unprofitable for some companies to export.

The Mexican President, however, still views devaluations as a sign of national failure and a last resort.

Officials north of the border have the impression that Mexico, emboldened by the power which oil now gives it, intends, as one U.S. diplomat put it, "to run into U.S. trade law."

As Mexico now operates a VAT system, which has a built in rebate mechanism for exporters, giving Cedis rebates over and above VAT is tantamount to a double rebate for exports.

It is now easier for U.S. companies to file suits with the Commerce Department against Mexico. Previously both damage to a U.S. producer's market and the existence of subsidies had to be proved.

Now, only the subsidies element has to be proved since Mexico is not a signatory of the countervailing duties and subsidies code which came into force this year.

The results of a first suit under this new situation will be announced by the U.S. Commerce Department this month.

A Californian leather manufacturer filed a suit against Mexican leather Goods on the grounds that they are subsidised. Annual sales to the U.S. are some \$40m.

If the decision goes against Mexico and countervailing duties are levied, the outcry against the "colossus to the north," Mexico's traditional foe, will be predictable. And Mr. Ronald Reagan, who professes to be a friend of Mexico, will have one of his first problems with his oil-rich neighbour.

UK NEWS

No increase in house prices, say societies

By Andrew Taylor

THE EXTENT to which house prices were hit by the recession and record mortgage interest rates last year is underlined in reports published yesterday by Nationwide and Abbey National building societies.

Nationwide says UK house prices stopped rising in the fourth quarter of last year. It is the first time since 1966 that the building society's quarterly house price index has failed to register an increase.

Figures produced by Abbey National showed that house prices had fallen in both the third and fourth quarters of last year. It says UK house prices fell by 0.2 per cent in the fourth quarter, compared with the previous three months.

Neither building society expected an immediate return to a faster rate of growth in house prices after the recent cut in the mortgage rate from 15 per cent to 14 per cent. Abbey National said prices may start rising again in the second half after a further small reduction in prices in the first few months of the year.

Mr. Leonard Williams, chief general manager of Nationwide, said stable house prices and the reduction in the mortgage rate should stimulate housing demand. But a "rapid and unacceptable upsurge in house prices in 1981" was unlikely.

There was a great deal of slack to be taken up in the market, he said. House price increases were also likely to be restrained if, as forecast, real disposable income fell this year.

Nationwide estimated that average house prices in the UK had risen by about 9 per cent last year, while Abbey National estimated that prices had risen by only 5.4 per cent. Both societies expected the rate of house price increases this year would remain in single figures.

Nationwide says average house prices fell in several regions in the fourth quarter of last year. In the south east, excluding Greater London, the price of an average house fell by 1 per cent in the past three months of last year, compared with the previous quarter.

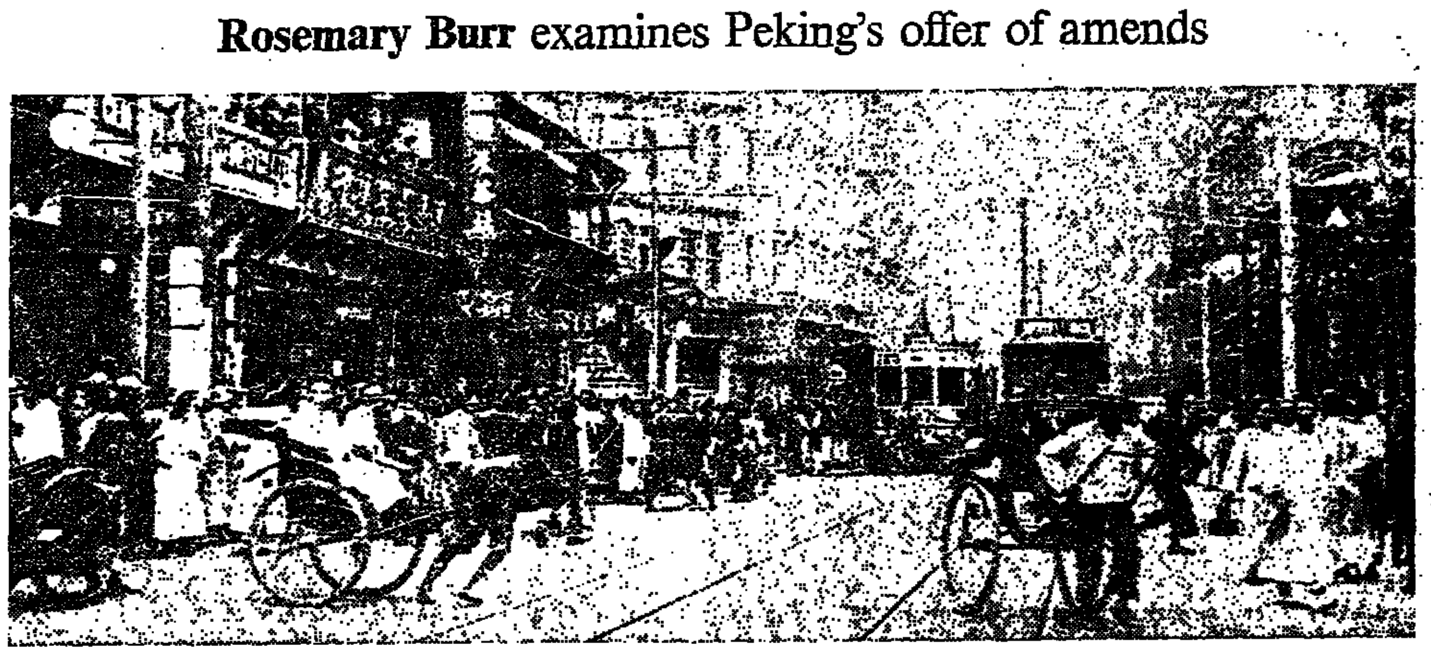
It estimated that prices fell by 1 per cent in the West Midlands; by 2 per cent in the North West and by 3 per cent in Northern Ireland.

Prices in East Anglia, Wales and Scotland increased by between 1 and 2 per cent in the fourth quarter.

Nationwide estimates the average price of a home in the UK to be £23,480, with average prices around the regions varying from £30,750 in the London outer metropolitan area to £18,610 in the north.

China traders queue for compensation

Rosemary Burr examines Peking's offer of amends



Scene of vanished trading opportunity: Shanghai in 1927

UK COMPANIES yesterday burrowed through their archives for details of assets seized by the Chinese authorities in the Communist Revolution which brought Mao to power in 1949.

The spur to this activity was Monday's news that the Chinese authorities were prepared to negotiate with the British Government on compensation for assets nationalised after 1949.

One of the largest claimants could be BAT Industries, the world's biggest cigarette manufacturer. In 1949 BAT employed about 10,000 people in mainland China, including Shanghai.

BAT Industries said yesterday it was pleasantly surprised by the Chinese authorities' decision to consider paying compensation. The news was so unexpected that no details of the size of its claim were available. However, BAT, which recently revived its trading relations with China, decided it is worth submitting a claim.

Shell yesterday confirmed that it would seek compensation on behalf of Shell Company of China. John Swire and Sons, the transport group, hopes to be reimbursed on behalf of its former operating company Butterfield and Swire. Both companies said it was too early to indicate the size of their claims.

Other leading companies that may consider putting in a claim are ICI, Babcock International on behalf of Babcock and Wilcox, Asiatic Petroleum Company, and Jardine, Matheson.

A director of Jardine, Matheson said yesterday that about £10m-worth of assets, at then prices, was seized in 1949. No decision had been taken on whether to pursue a claim.

Shipping lines active in pre-Revolution China, such as Peninsular and Oriental Steam Navigation, China Navigation, China Sea, Blue Funnel and Glen Line, may also be in a position to submit claims.

On Monday the Foreign Compensation Commission (FCC) invited the British public to register claims against the Chinese Government by July 5, 1981. Evidence to support such claims should be submitted by January 5, 1982.

The FCC is funded by the Foreign and Commonwealth Office. It will be responsible for collating claims and, if the Chinese agree to pay compensation, for disbursing the proceeds.

An assessment of total claims by UK nationals against the Chinese Government is difficult because it depends on how companies determine the value of property seized and whether they claim arrears of interest on this amount. Claims are expected to amount to several hundred million pounds.

China's readiness to negotiate on UK claims was indicated in 1979, when U.S. claims were settled as part of the normalisation of diplomatic relations.

China has also agreed to meet certain Dutch, Belgian and Canadian claims. Other nations, including France and Germany, seek negotiations now that China has indicated its willingness to settle its outstanding international commitments.

The Chinese authorities' gesture on compensating UK nationals comes at a time when Anglo-Chinese trade is growing. After the Communist Revolution trade between the two countries came to a halt until the 1953 "Icebreaker Mission" made by a group comprising mainly of commodity traders, including the London Export Corporation, the Wogen Buckton Group and Biddle Sawyer.

Later years saw sporadic and infrequent trading contacts between the two nations until a brief flowering, after the Cultural Revolution, between 1972 and 1974. During this stage, sales of coalmining equipment and the Trident aircraft were concluded.

There followed two years in which trade slowed. However, after the fall of the Gang of Four and Mao's death in 1976 trading relations between China and many Western countries including Britain, improved considerably.

Anglo-Chinese trade continues to grow in spite of China's current reassessment of its ambitious capital-intensive modernisation plan. This retrenchment has reduced China's need for foreign imports

Talks are atking place now, between British companies and the Chinese authorities, on setting up joint ventures, particularly in high-technology products, and for sale of defence equipment.

In addition, the Chinese Government is keen to develop "buy-back" arrangements with UK companies. Under such agreements a British company would finance development of, say, an oil-field, and be repaid in kind at an undetermined date.

British companies have been reluctant to enter such agreements, particularly because the quality of the ultimate product remains impossible to determine. But Chinese preference for such deals and their current attempt to seek concessionary loans from the United Nations Development Project indicate the financial constraints China is facing.

Meanwhile, the most spectacular response to Monday's news was on the London Stock Exchange. Prices of old Chinese bonds denominated in sterling rose rapidly with the 1925 Boxer bond up £4 to £16.

Kelloggs plans to cut 300 jobs in Manchester

BY GARETH GRIFFITHS

THE KELLOGG company, chief UK producer of breakfast cereals, is to shed more than 300 jobs at its factory in Trafford Park, Manchester, as a result of a £5½m re-equipment scheme.

The company said yesterday that it hoped to make the redundancies by early retirement and voluntary resignation. The loss of jobs is equal to 13 per cent of all its workers and is to be implemented by April. About 20 supervisory staff will lose their jobs.

Further cuts were forecast by Kelloggs because of technological improvement in machinery and new plant in the next two years.

The £5½m re-equipment programme planned for those years coincides with introduction of the breakfast cereal Crunchy Nut Corn Flakes.

Kelloggs controls about a third of the breakfast cereal market, and has said that it plans to diversify its food range in the 1980s. The management met union representatives yesterday to discuss jobs reduction.

The factory had an 11-week strike two years ago.

● The recession in the textile industry was reflected by further redundancies and short time announced yesterday.

Bond Street Fabrics will close its Jersey fabric plant in Leicester with loss of about 150 jobs. The company said the plant had shown substantial losses.

Courtaulds announced that 112 production workers at the nylon fibres plant at Aintree, Liverpool, will go on to short time. About 25 per cent of the 1,500 workers are on a three-day week, and 170 more are likely to be put on short time soon.

Scovill Security Products said yesterday that it planned to close its locks and boilers' hardware plant at Livingston, West Lothian, at the end of March with loss of 163 jobs in the company's Yale Security Products division.

An attempt is to be made by local management to save some jobs by setting up a sub-contracting company.

Newman Granger, the precision engineering company, will close its plant at Codnor, Ripley, Derbyshire, with loss of more than 60 jobs.

The plant produces heavy agricultural machinery and trailers. The company has said it "will try to offer some work" to those made redundant at its other plants in Nottingham.

Jobs 'despondency' in W. Midlands

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

MANY LEADING companies in the West Midlands plan a new round of job cuts in the next three months, the Confederation of British Industry said yesterday.

More than half the 45 companies represented at the regional council meeting in Birmingham yesterday thought further redundancies would be necessary, said Mr. Chris Walliker, the chairman.

The "mood of despondency" was spread across all sectors, not just engineering, Mr. Walliker said.

Warning of a continuing rise in unemployment, he said that only one of the 45 companies was not benefitting in some way from the Government's short time working compensation scheme.

Liquidity was the most immediate problem. "Cash is more important to survival than profit."

Home orders were very sluggish. Some companies worked at less than 50 per cent capacity and de-stocking continued. Export volume had held up but at the expense of profitability, and there were signs of orders tailing off.

The only encouraging sign was on the wages front. Most pay settlements were in single figures and some companies had deferred any increase.

The West Midlands Chambers of Commerce, which mostly represent smaller firms, reported a slight easing of the recession yesterday.

Their latest survey of business confidence showed industry "doing remarkably well in the present climate." A warning was given about the "worrying" trend of falling profitability.

The Chambers say that companies cannot pass on price rises while "hammered by massive increases in public-sector charges."

Forthcoming local authority rate increases were viewed with apprehension and with general tax burdens would "make life even more parlous."

The survey shows 33 per cent of companies working at less than 60 per cent capacity, against 10 per cent six months earlier.

Vosper future in doubt as dry docks to close

BY OUR SHIPPING CORRESPONDENT

THE FUTURE of British Shipbuilders' second biggest ship repair yard, Vosper Shiprepairers, has been thrown into jeopardy following the British Transport Docks Board's decision to close its two dry docks at Southampton.

British Shipbuilders said last night that it wanted to discuss the "whole future of ship repairing at Southampton" with the trade unions. This was a matter of "extreme urgency."

The two dry docks, the King George V and the Trafalgar, are used by Vosper Shiprepairers for major overhauls of ocean-going ships. Just before Christmas, Cunard's QE2 and P & O's Canberra and Oriana underwent repairs there.

In the absence of dry dock facilities, Vosper would be able to carry out only minor voyage repairs, and this would require it to cut substantially its workforce of some 1,000.

The Docks Board said yesterday that it could not continue to meet the heavy losses of the dry docks which it maintains, and was not prepared to subsidise British Shipbuilders' ship repair activities. It has long wanted British Shipbuilders to take over the dry docks for a long time.

The board said provisional agreement had been reached last year to transfer the dry docks to British Shipbuilders which, however, had later indicated that it was unable to uphold. British Shipbuilders had declined to make any contribution to losses incurred by the board in running the dry docks.

Mr. John Collins, who took over as managing director of Vosper Shiprepairers following the resignation of Mr. John Wilde in October, said yesterday that he had not been otified that the docks had been closed. He regarded the news as another bargaining ploy by the board.

Negotiations on the future of the dry docks are understood to have involved the chairmen of the two organisations: Mr. Robert Atkinson of British Shipbuilders and Sir Humphrey Browne of the Docks Board.

British Shipbuilders said last night it had intended to hold discussions with the Confederation of Shipbuilding and Engineering Unions this year with a view to restructuring Vosper Shiprepairers, "taking account of the likely future work-flow requirement."

In the year to March 1980, Vosper Shiprepairers lost £4.3m. As a result of the closure the situation had been "dramatically altered" and British Shipbuilders now wanted to discuss the matter urgently.

Vosper is British Shipbuilders' second most important ship repair facility after the Tyne Ship repair group. All British Shipbuilders' repair operations have been losing substantial sums. In December 1979, some 1,400 jobs were axed at yards around the country.

Six stamps for dearer post

SIX NEW definitive stamps will be issued by the Post Office on January 14 at values marking increased charges coming in on January 26. They are 25p 18p 15½p, 14p, 11½ and 2½p.

The 14p covers the new first-class inland letter rate and the 11½p the basic second-class rate. Basic rate for Europe will be 18p; 15½p and 25p values cover the second weight step for second-class mail and zone C airmail rate abroad.

Leyland Roadtrain wins Truck of the Year title

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND Vehicle's Roadtrain, the first of its T45 range, has been named Truck of the Year for 1981.

The award, claimed to be the most prestigious in the European truck business, is made by a panel of commercial vehicle journalists from 10 European countries organised by the London-based Truck magazine.

Second was the Fiat 170/190-30, and third the Volvo F12F.

The news is particularly well-timed for Leyland, BL's truck, bus and tractor subsidiary. It is waiting to hear whether the Government will allocate a further £100m to top up its £350m investment programme.

The award will be useful when Leyland launches the Roadtrain in selected Continental markets later this year.

Leyland's investment programme was designed to help boost its sales in Continental Europe. The company exports about half its production, but only a small proportion goes to mainland Europe.

A total of £60m has been spent developing and building the T45 "trucks for Europe" range.

In 1980 Leyland sold about 5,600 commercial vehicles (from Sherpa vans to the heavy-weight trucks) worth about £25m-£30m on the Continent.

By 1982, the first full year with the Roadtrain an dother T45 models, this should be boosted to 7,000, worth some £35m-£40m.

Ultimately, Layland hopes to sell as many commercials in mainland Europe as in the UK.

The sales and marketing responsibility for Leyland trucks in the UK and for trucks and buses in Europe has been incorporated under the single banner European Operations.

Mr. Ian Wilson, appointed European Operations director, yesterday said that the Continent represented the world's toughest market for truck sales. The company intended to approach each country individually, developing Leyland footholds—the company has been selling trucks on the Continent for 12 years.

Roadtrain will be launched in France at the end of April and quickly introduced into Belgium, Portugal, Spain, the Netherlands and Denmark. It will not be until 1982 that the major markets of West Germany and Italy are tackled.

Leyland will invest some £3.5m on launch stocks, marketing and promotion for the European launch of Roadtrain which is designed at least to double the group's market penetration from the average 2 per cent in each of the countries. The exception is France, where the company has between 3 and 4 per cent of the heavy truck market.

In the UK, Leyland's market share in 1980 remained at about 17 per cent after dropping steadily since 1973.

Over £40,000 given to heart research

THREE GRANTS totalling more than £40,000 have been awarded by the British Heart Foundation for research in Scotland into prevention of death from heart-failure. Scotland leads the world in coronary thrombosis cases.

The awards were: more than £18,500 to Prof. David Flenley, Edinburgh City Hospital; £15,000 to Prof. David Wheatley, Glasgow Royal Infirmary; and a third to Dr. Peter Rubin of Stobhill, Glasgow.

Owen warns on electoral college

BY ELINOR GOODMAN

DR. DAVID OWEN, one of Labour's so-called "Gang of Three" Right-wingers, warned last night that the party would risk losing the support of millions of voters if it went ahead with the idea of giving trade unions a say in electing the party leader.

The implication of his speech was that if this month's special conference votes for an electoral college, he would find it difficult to stay in the party and he would expect others to be with him.

His warning came among further indications that a handful of other Labour Right-wingers could stand as independent Labour candidates at the next election if the Gang of Three manages to find some way of staying within the party.

With only three weeks to go till the conference, which is due to decide on the new system for electing the party leader, Dr. Owen appealed to the party to delay making any decisions about how to widen the election franchise.

It was not too late for the party to "draw back" and consider more carefully the idea of giving all party members a vote.

There is little confidence on the Right that any last-minute appeal will prevent the party from endorsing an elecoral college made up of trade unions, Labour MPs and party activists. Even so, there is still no agreement on the Right about what tactics to adopt after the conference if they lose on the electoral college.

Dr. Owen, and the two other members of the Gang of Three — Shirley Williams and Mr. William Rodgers—still have to decide whether a vote in favour of an electoral college would justify giving up trying to fight for control of the Labour Party from within. Of the three, Dr. Owen is probably the most militant.

In his speech in Loughborough, Dr. Owen said that, if the party accepted an electoral college, it would "profoundly affect the nature of the Labour Party for many decades to come.

"Are we to say that no future Labour Government will ever dare to disagree with some big trade unions?"

If the party went ahead with this idea, "millions would increasingly come to see this as the moment when the Labour Party they had voted for all their lives changed irrevocably."

The Gang of Three are to meet before the conference to decide on a common strategy. If they decided to leave—and their close emotional ties with the party should not be underrated—they might be able to take as many as 12 MPs with them.

Mr. Tom Ellis, the Labour MP for Wrexham and one of those Right-Wingers nearest to breaking links with Labour, warned yesterday that he would have to leave the party if it did not change from its present path in the next six months.

Unoccupied village 'due to be demolished'

By Lisa Wood

THE Energy Department's unoccupied village of Pollphail in Scotland, reported to have been sold to a foreign buyer for conversion to holiday homes, is due to be demolished in 1985, says the local district council.

The village was built by the Department in 1975 to house 500 workers from a nearby dry dock development at Portavadie, where concrete oil platforms were to have been built.

The village was built at a cost of £3.3m, and was never occupied. Earlier this week agents Turner Rudge and Turner confirmed that it was being sold to a foreign buyer. Offers had been sought in the region of £500,000. The purchase price and the purchaser's name have not been revealed.

No approach has been made to Argyll and Bute district council, the local planning authority, for permission for a change of use of the site. Mr. Michael Gossip, the council's chief executive, said yesterday the site could not be used as a holiday village without planning consent.

"Planning consent was granted in 1975 and requires that the complex be demolished and the site restored to its natural state by 1985."

The council has been making inquiries about the purchaser but no details have been disclosed by the vendor's agent. Mr. Gossip said that if a purchaser for the site had been found he would welcome a meeting as soon as possible.

The sale of the village has caused some embarrassement to the Energy Department as none of the costs of building the complex will be recovered by the Government. In its haste to build the village, the Government failed to acquire the land, which is still owned by Sea Platform Constructors (Scotland), a subsidiary of Trafalgar House. Under Scottish law, the buildings belong to the landowner.

The company said yesterday the sale was expected to be concluded by the end of this month.

£4m industrial estate planned

THE Scottish Development Agency is drawing up plans to turn a disused steel making plant at Coatbridge, Lanarkshire, into a £4m industrial estate in the hope of creating more than 700 jobs in the next five years.

Mr. Bert Shanks, the agency's principal valuation surveyor, said the Scottish Development Agency was in the process of acquiring the disused Dundyvan Tube works from British Steel and should own it by the end of March.

Co-op to stop giving stamps

THE Royal Arsenal Co-Operative Society, one of the largest retail co-ops in the UK, is to stop giving dividend stamps to its members from later this month.

It has already stopped giving stamps on its non-foods, and will now end stamps for foods, fuel, and dairy products in all its 110 branches in south-east London, Kent and Surrey.

Commons to discuss EEC label plan

EEC proposals for labelling electrical domestic appliances to encourage energy-saving will be debated in the Commons after protests by UK manufacturers.

The all-party Commons Committee on European legislation said yesterday the draft directives from Brussels raises questions of political importance.

Coal slump may close pits

THE National Coal Board, which is suffering a slump in demand for coal, is drawing up measures to weather the recession. They are likely to include production cuts, and could mean pit closures. The proposals will be put to union leaders at a meeting on February 10.

UK coal demand is expected to be 6m tonnes lower in the year to March than it was last year. But Britain's coal production keeps on rising as the NCB reaps the rewards of a six-year capital investment programme.

Japanese industry policy studied

THE FIRST of a study series on industrial policy in economies which are more successful than the UK is published today by the National Economic Development Office.

The paper on Japan outlines historical conditions leading to the current economic structure, and describes social and structural aspects of the country and the role of the government in post-war development.

Dublin summit joint study 'not a device' says Howe

BY OUR BELFAST CORRESPONDENT

JOINT STUDIES commissioned by the British and Irish Governments after the Dublin summit in December were not a device for separating Northern Ireland from the rest of the UK, Sir Geoffrey Howe, the Chancellor, said on a visit to Belfast yesterday.

His reassurance to Ulster Unionists, still suspicious about the outcome of the Prime Minister's talks with Mr. Charles Haughey, the Irish Premier, was given in a speech at Stormont.

Sir Geoffrey, a member of the British team at the Dublin talks, said there was more to the unique relationship between the two countries than was encompassed by economic co-operation.

The joint studies would look at citizenship and security matters, and at the possibility of new institutional structures giving, Sir Geoffrey said, formality to the many contacts between various representatives of the two countries.

He stressed that this was not a device for separating the province from the UK. It was simply a way of developing an already close relationship to the advantage of both States and of Northern Ireland.

Sir Geoffrey, who visited several industrial projects and toured the British Enkalon fibres plant at Antrim, warned that the fight to reduce inflation would be especially long and hard for Northern Ireland, where unemployment is at 16.3 per cent.

The Chancellor toured the Belfast site of the proposed 200-acre enterprise zone, which should be in operation by the autumn. He said this would make a valuable contribution to solving the problems of Belfast and he hoped for "a striking transformation" within a few years.

He said fluctuating levels of overseas investment in Ulster demonstrated the close link between political and economic fortunes. Companies looking at the province would take account of the whole environment, so political progress was vitally important to economic recovery.

Last night the Chancellor met members of local political parties who were expected to press him for a more flexible application of Government policy in Ulster.

Ulster to cut 2,000 official jobs

ABOUT 2,000 Civil Service jobs will be lost in Northern Ireland by April, 1984, the Government announced yesterday. Mr. Humphrey Atkins, Northern Ireland Secretary, said that following the Government's announcement of planned cuts in the size of the Civil Service in Great Britain he had decided to apply similar reductions.

These would mean a net reduction of 1,600 posts by 1984 in Northern Ireland Departments exercising simi lar functions to UK Departments. This part of the Northern Ireland Civil Service would then number 17,800.

Another 400 posts would go by April, 1982, in the Department of the Environment for Northern Ireland. This involves civil servants who perform duties which in Great Britain are carried out by local government and water authorities.

Meanwhile, the Northern Ireland Housing Executive, in charge of all public authority housing, said it hoped to start building 4,000 homes in the next year. A similar number of houses will be modernised or improved.

Warning to councils on education spending

By Michael Dixon, Education Correspondent

MR. MARK CARLILSE, the Education Secretary, yesterday threatened to intervene in local government to ensure that education rceived a fair share of local authorities' funds.

Although central Government cannot specify how local councils should spend their money, he told the North of England Education Conference in Carlisle that the law gave local education committees "wide-ranging" powers.

The committees had a legal right to be fully consulted on any question affecting education, which accounted for about 70 per cent of the current spending of local authorities whose responsibilities included an education service.

"It is very important that the special position which the law gives to the education committee should be fully maintained in the day-to-day work of the authority," Mr. Carlisle said.

It was up to the committees and others in education to present a clear case for an adequate share of the funds available to local authorities but the law also gave the Secretary for Education and Science "far reaching, and in some aspects highly specific, duties and powers."

Building cuts may force many into other work, says **Maurice Samuelson**

Architects' shaky job foundations

BRITAIN'S architects enter 1981 with trepidation. A substantial number of them may start drifting into other occupations as Government spending cuts and the recession eat into building programmes.

Many believe that the spending cuts have gone too far. Once they are restored, the rush to build again will result in hasty and shoddy standards.

Mr. Patrick Harrison, secretary of the Royal Institute of British Architects, said he had never known such a bleak outlook for architects. "The employment position is pretty shattering."

The first evidence of substantial unemployment among architects came in RIBA's last quarterly statistics. These showed the first drop in numbers for three years.

Private architects who ran out of work would try to continue to practise part time. Nevertheless, they would increasingly move into other occupations, he said.

Slowdown

Within companies, the slowdown in projects would weaken teamwork. It was far easier to disperse a team than reassemble it.

Mr. Harrison cited the case of one RIBA member whose company was affected by spending cuts in all 17 projects being carried out for local authorities or housing associations.

His gloomy forecast was echoed by Mr. John Malyan, chairman of RIBA's housing group. Of his own company, Broadway and Malyan, he said: "We see our workload dropping ahead of us."

Normally, it could identify 80 per cent of its workload for the year ahead. The workload was now between 25 and 30 per cent lower than normal.

Erratic

He expected it to pick up, but said clients were passing work more slowly with wider gaps between planning approval stages. This made the work pattern more erratic. It was harder to keep design teams together.

There was also a 10-15 per cent drop in inquiries.

Not all companies are being affected equally. Mr. Malyan knew of another partnership which was "very, very busy." However, much of the latest business came from refurbishment rather than new construction.

Mr. David Dry, of Dry Hastwell Butlin and Bicknell, said his Chiswick company was being cushioned for the time from the full effects of spending cuts as it was finishing work on large council estates. Small developers were still making inquiries and there was a new demand for refurbishment of London office blocks.

The growing importance of refurbishment in architects' workloads was confirmed by RIBA's statistics. Twenty-four per cent of new commissions was for refurbishment. In public housing, refurbishment accounted for 54 per cent of commissions.

In future, refurbishment will be linked increasingly to the need to make buildings more energy efficient. RIBA is encouraging the profession to assume responsibility for this. Britain's "entire national estate" will need refitting according to Mr. Harrison.

From the start of 1981 an important change has been made in RIBA's professional rules. For the first time architects will be allowed to become directors of building or manufacturing companies. They will be able to have a greater say in how their designs are carried out. RIBA says this means architects will be able "to get into the management vacuum.

"Architects will want to go into contracting themselves and do it better than it is being done at present," RIBA said. They could have an important say in building component production as well as in building development.

This should appeal to younger architects who were unhappy about the present relationship with consultants and contractors. It would offer rewards to those who were imaginative, *enterprising and willing to take* risks.

Another change in 1981 is a relaxation on the prohibition against advertising. Architects will still not be permitted to advertise in the Press, but they will be able to approach potential clients with explanatory brochures.

Weald given 'beauty' status

THE Countryside Commission has designated the High Weald as an area of outstanding natural beauty. The designation has to be confirmed by the Environment Secretary.

It will mean greater protection for the landscape and improved financial help from the commission for conservation and other landscape projects.

The 560 square mile area is based on the central sandstone hills of the Weald of the South-East and is mainly in East Sussex and Kent, but large areas lie in West Sussex and Surrey.

APPOINTMENTS

Chief executive change at APV Holdings

Mr. Peter B. Hamilton has become chief executive of APV HOLDINGS. Mr. H. P. N. Benson remains executive chairman. Mr. Hamilton joined APV in January 1980 from GKN where he was chairman and chief executive of Firth Cleveland and GKN Engineering and Construction Services.

★

Mr. R. S. Fulford, a director of UNITED GAS INDUSTRIES, has become group chief executive. He succeeds Mr. N. P. White, who remains on the Board as deputy chairman with responsibility for the group's overseas operations until his retirement later this year.

★

Mr. William Bruce, a director of BARRATT DEVELOPMENTS, has become group deputy chairman. Mr. Kenneth A. Janes and Mr. Dale Stuard have joined the main Board. Mr. Janes has also been appointed chairman of Barratt Developments (Midlands). Mr. Stuard is founder and president of American National Housing Corporation, which Barratt Developments acquired in March last year.

Mr. Tery Van Ree, a main Board director, has been made chairman of Barratt Developments (Northern England) and Mr. Michael Norton has become deputy chairman. Mr. Geoffrey Smith has been appointed managing director of Barratt Developments (Bristol).

★

Mr. Leslie McArt has resigned from the Board of COCKETT MARINE OIL and has left the company. Mr. Peter Hunt has been appointed to the company.

★

Mr. John Worlidge, a director of BAT Industries and its subsidiary the Wiggins Teape Group, has been appointed a deputy chairman of the WIGGINS TEAPE GROUP.

★

Mr. A. H. Marshall has been elected chairman of RIGHTWISE in place of Mr. Humphrey Salmon, who has resigned from the Board.

★

Mr. H. D. Hart has been appointed to the Board of THERMAL SYNDICATE. Mr. Hart is managing director of its subsidiary Special Metals (Fabrication).

★

Mr. David Jones has joined GRATTAN WAREHOUSES as deputy chairman and chief executive and Mr. John Whitmarsh has also joined Grattan as management services and computer director. Mr. Jones was previously managing director of British Mail Order Corporation and Mr. Whitmarsh was director-computers of that concern and of Kay's of Worcester. Mr. Michael Place becomes deputy chief executive of Grattan.

★

Mr. Christopher Hammond has been appointed controller, corporate development at MIDLAND BANK INTERNATIONAL, with overall responsibility for international marketing strategy, advertising and public relations. He was previously corporate finance director northern European region.

★

Mr. J. Jackson, managing director of THOMAS WITTER AND CO., has been appointed chairman and Mr. J. G. Ritchie, secretary, has become joint managing director. The appointments follow the death of the chairman, Mr. H. Bowsor.

★

Mr. S. J. Titcomb and Mr. S. Stevenson, Jnr., have been appointed directors of ALTIFUND. Mr. P. L. Lamaison has resigned from the Board.

★

Mr. Charles Arnold has been appointed financial director of UNITECH.

★

Mr. Tony Hardy has been appointed sales director of KUEHNE AND NAGEL AIR CARGO (KN worldwide group) of Feltham, Middlesex.

★

Mr. G. Comanos and Mr. W. M. Louie have joined the Board of METALS EXPLORATION.

★

Mr. G. H. Bignall has relinquished his position as joint managing director of JOHN BEALES ASSOCIATED COMPANIES and Mr. D. Tittle has become sole managing director.

★

Mr. C. M. Mosselmans has become chairman of SEDGWICK LIMITED in succession to Mr. P. T. Wright, who remains on the Board. Mr. Neil Mills, Mr. J. N. Duncan and Mr. J. J. H. Swinglehurst have been appointed directors.

★

Mr. William A. R. Goodsall joins BANKERS TRUST COMPANY in London as vice president and UK investment manager on February 2.

★

Mr. Keith Collyer has been appointed company secretary of CADBURY SCHWEPPES. He succeeds Mr. Brian Dice, who became a director of the company in 1979 and who will now be concentrating on his overseas *responsibilities.*

Nott faces task of cutting £200m from defence budget

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

MR. JOHN NOTT, new Defence Secretary, will have to decide in the next few weeks how to make the cuts of more than £200m in the 1981-82 defence budget required by the Government.

There is concern in defence manufacturing industries that the change of Ministers has occurred at a critical time, when the future of a number of major aircraft, missile, shipbuilding and other military programmes must be settled.

Mr. Nott has some military experience as a former Ghurka officer, but has no detailed background knowledge of the defence establishment. He will face significant decisions almost immediately on taking up his post.

The overall cut in 1981-82 defence spending is likely to be more than £200m. In addition to cuts required by the Treasury, the Defence Ministry has to curb its overspending in 1980-81.

There has been much speculation about where the cuts are likely to be made, with virtually every main programme listed as a candidate for the axe.

Some decisions are believed to have been taken. However, there is still much work to be done inside the Ministry. No details will be realeased until the annual Defence White Paper is published in late February or early March.

It is possible the White Paper may be delayed into mid-March if decisions still to be taken prove particularly difficult.

Any decisions to reduce the scale of major programmes will be taken by Mr. Nott. Mr. Francis Pym, before his department made it clear he would be personally responsible for such decisions. This burden will now fall on Mr. Nott.

Apart from the Defence Ministry changes, the aerospace industry is apprehensive about the effects of the change at the Industry Department, with Mr. Kenneth Baker replacing Mr. Adam Butler as Minister of State.

Mr. Butler had special responsibility for the aerospace industry. With major decisions pending—such as whether the UK industry subscribes financially to new airliner programmes envisaged by the European Airbus Industrie group—the industry will be anxious to establish close relations with Mr. Baker as soon as possible.

Mr. Norman Tebbit, who moves from the Trade Department to Industry, had established close relations with the airline interests in the UK, as the Minister responsible for civil aviation. His departure will be felt keenly by the airlines, both State-owned and private.

Professor Alan Walters, the Prime Minister's £50,000-a-year economic adviser, arrives at Number 10 for talks

Nelson Bunker Hunt puts up £17m to fight BP

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE £17m security enabling Mr. Nelson Bunker Hunt to appeal to the House of Lords against court rulings that he must pay that amount to BP Exploration (Libya) has been lodged by him.

The condition that Mr. Hunt lodge security if he wished to challenge the award was imposed by the Lords' appeals committee on November 6.

The award was made to BP by the Commercial Court under the 1943 Law Reform (Frustrated Contracts) Act, in connection with a joint venture by Mr. Hunt and BP to exploit a Libyan oil concession in the 1960s.

The oilfield was subsequently nationalised. BP claimed that its contract with Mr. Hunt had been frustrated and that it should be awarded "a just sum" to take account of the benefit Mr. Hunt received from BP's efforts and expenditure.

Mr. Hunt said a clause in his contract with BP absolved him from any liability. The award was upheld by the Court of Appeal in July.

Mr. Hunt's application for leave to appeal to the Lords was opposed by BP, which argued that leave should not be granted "simply because there is a large amount of money involved," and that, if leave were granted, it should be on condition that Mr. Hunt provide security in the amount of the judgment against him.

Mr. Hunt argued that he should be allowed to appeal because the lower courts adopted a wrong approach to the rarely used 1943 Act.

Heavy vehicles ban on M1

HEAVY VEHICLES will be banned from a Derbyshire stretch of the M1, because of subsidence from collieries, from January 11 until mining ends.

Vehicles of more than 32 tons or 9 ft 6 in width will be prohibited from using both carriageways for 10 miles between junction 29, at Heath, and junction 30, at Barlborough.

Code sought on cosmetic surgery

By Gareth Griffiths

THE British Medical Association will consider today guidelines intended to tighten control over private clinics advertising cosmetic surgery directly to the public.

A code of practice for medical personnel has been under consideration by the association's central ethnics committee since July.

It is likely to include an insistence that cosmetic surgeons should treat patients only after referral by general practitioners.

An increasing number of complaints have been made to the association by dissatisfied patients, particularly those who went straight to advertised clinics without first consulting their general practitioners.

The guidelines before the BMA Council deal with the need for more formal training for plastic surgeons and for a more sympathetic attitude by general practitioners to patients wanting cosmetic surgery.

There are strong indications that the association wants the code of practice to be supported by the disciplinary power of the General Medical Council.

Any moves for training cosmetic surgeons will involve discussions with the Royal College of Surgeons. This could take months.

Area health authorities are due to implement the Health Services Act, 1980, this summer.

PAYE procedure to change

By Tim Dickson

CHANGES WILL be introduced into PAYE procedures soon. They will save the Inland Revenue about £4m a year.

The most important change is that in 1981 tax offices will notify an employer of an employee's tax code at the beginning of the year only if it is different from that used the previous year. Recent studies revealed that only about a third of the millions of individual Deduction Cards sent to employers show changes in employee codes. About a quarter are used for recording and reporting pay, tax and National Insurance deductions.

These cards will be discontinued. A different form will be used to tell employers of different codes.

Other changes include a relaxation in rules relating to Form P60—the employee's certificate of pay and tax—allowing its issue before the end of the tax year and the use of Form P46—for employees who start work without a P45—to indicate whether the employee is a school-leaver and he or she is starting main employment or an additional one.

The changes largely follow two projects undertaken last year, in consultation with Sir Derek Rayner, the managing director of Marks and Spencer who was appointed by the Prime Minister to improve Civil Service efficiency.

One-day strike call for British Airways

By John Lloyd, Labour Correspondent

A CALL for a 24-hour strike on January 23 will be made to a mass meeting of the 15,000 British Airways manual workers at Heathrow next Tuesday.

The decision to call for a stoppage unless BA's wage offer is improved was taken unanimously yesterday at a meeting of shop stewards representing the workers in the engineering, maintenance, ground services and ramp areas.

BA made a "final" offer of 8 per cent from April 1 after a three-month pay freeze toits 50,000 workers at the end of three-month pay freeze to its last month. This was an improvement on the first offer of a six-month freeze followed

No future meetings are planned between the two sides. The company said last night that there had been no change in its position.

Consultations among the rest of the work force, many white-collar staff represented by the Association of Professional, Executive and Computer Staffs, is still being conducted by the unions.

All the national sectional panels covering the work-force, apart from the pilots, have a common settlement date on January 1.

British Airways recorded a shortfall on budgeted revenue of £27m from April to October last year, and a £2m loss in the first half of the current financial year.

Passenger traffic has dropped of £227m from April to forecast amounts, after a 7 per cent drop in the previous year.

The company has attempted to bring in more flexible forms of working to improve staff efficiency. Part of its increased offer included improvements in shift pay from July of this year.

Dockers' dispute

ABERDEEN Harbour was disrupted yesterday in a dispute over the annual wage claim between dockers and the Aberdeen Stevedoring Company.

The dockers, who are scheduled to meet early today, refused to accept a "final offer" which the company says is worth 13 to 14 per cent.

BSC 'liquidation' warning as ballots draw near

BY ALAN PIKE

THE British Steel Corporation will be on the road to liquidation if workers do not back its new survival plan, Mr. Ian MacGregor, chairman, said yesterday.

Mr. MacGregor is balloting the workforce on the plan, which will lead to at least 20,000 more redundancies in the corporation this year.

It also proposes deferring this winter's pay settlement until July, when 7 per cent increases would be paid.

The outcome of the ballot would be vital, Mr. MacGregor said in radio and television interviews. The corporation would be seeking £750m in Government aid this year, and it would be imprudent to do this if workers showed by their replies that they were not prepared to make the enterprise a success.

"I would say that if our employees preponderantly reject what we are proposing to do, we are really starting the process of liquidation of the company, because if the employees do not believe in working for its future why should anyone else?"

Most steel-industry unions support the Corporation's plan but members of the biggest, the Iron and Steel Trades Confederation, face a difficult test of loyalty.

In spite of Mr. MacGregor's warnings the confederation's executive is urging its 70,000 BSC members to vote against the corporate plan in a separate ballot organised by the confederation.

Mr. Bill Sirs, confederation general secretary, yesterday described the corporation's ballot as "nonsense" because, in effect, it asked workers either to accept the corporation's plan or to vote for total liquidation. There were alternatives to the corporation's strategy but Mr. MacGregor had not put these forward as options.

Both the corporation and the confederation ballots close on January 16. The results will be known soon after.

Southern Region train drivers agree to suspend action today

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL's Southern Region services should be operating normally this morning following a decision by drivers on the Hastings line to suspend their unofficial industrial action from midnight. However, BR Eastern Region was hit yesterday by similar action by some of its drivers.

After discussions with officials of the train drivers' union ASLEF, the Southern Region drivers decided to suspend the action until the ASLEF executive considers it again tomorrow. The executive will be addressed by Sir Peter Parker, BR chairman.

The Southern Region action was over new roster arrangements as a result of reduced off-peak services on the London-Hastings line. About 100 drivers were suspended without pay after they refused to work the new rosters.

It has been agreed that they will be taken back on the payroll, will face no disciplinary action and will work the new rosters.

However, Mr. Ray Buckton, ASLEF general secretary, warned yesterday that the action could be resumed on Friday with official support.

Drivers at BR's Stratford depot in East London took action yesterday, again over new rosters. Some trains were cancelled from Liverpool Street station, but it was thought likely that the drivers would begin to work the new rosters from midnight.

The ASLEF executive yesterday did not lift its threat of official industrial action this month over the whole network, which came in response to the level of Government financing of the industry. It will consider the action again tomorrow following Sir Peter's address. Sir Peter will also address the executive of the National Union of Railwaymen today.

ASLEF called for the fourth time on the other two rail unions to agree a united strategy against rail cuts.

Farms wage board plans new inquiry

BY PAULINE CLARK, LABOUR STAFF

A NEW INQUIRY into whether wage rises for farm workers are leading to job losses is to be considered following a 10.3 per cent pay award ratified by the Agricultural Wages Board yesterday. Union leaders had rejected the offer.

Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, said the union was "disgusted" at what it considered to be a deplorably low settlement for Britain's 140,000 full-time farm workers from January 22 this year.

But the decision to look at the underlying cause of job losses represented a sweetener to the union, which has challenged employers' arguments for holding down wages.

The wages board said it had agreed to set up a sub-committee to consider recommendations to the Ministry of Agriculture on an inquiry into links between wages and jobs in farming.

The union wants the investigation to be undertaken by the Ministry and believes this would confirm its argument that Common Market policies and not wages are the main cause of job losses which farmers claim amounted to 4.6 per cent over the past year.

Under the new pay award, farm workers will receive a minimum wage of £64 a week —50p less than an earlier offer

More manual job losses likely

BY PHILIP BASSETT, LABOUR STAFF

MANUAL workers are likely to continue to sustain proportionately higher unemployment than white-collar staff for the next four years, says a study of occupational change in the British economy.

Engineering craftsmen, in particular, are likely to be the hardest hit.

The study, by the Manpower Research Group at Warwick University, published yesterday in the Department of Employment Gazette, says the combined effect of Government deflationary policy, rising potential labour supply, worsening British trade performance and a depressed world economy was enough to produce a marked increase in registered unemployment to 2m last year, "with further increases to follow."

The survey says employment in both construction and the public services is likely to fall much further than it assumes because of developments in Government policy.

The general picture of the distribution of occupations in the next four years is one of continuing growth in non-manual occupations and decline in manual occupations. By 1985 total civilian employment will be divided almost equally for the first time.

The only declining non-manual occupation is in sales jobs, which the survey says will fall from 5.5 per cent of non-manual work in 1978 to 5.4 per cent in 1985.

The only major rise among manual occupations lies in personal service jobs—including catering, hospital and other service workers—which will increase from 11.2 per cent in 1978 to 12.1 per cent in 1985. Security occupations, including the fire service and the police, will show a slight rise.

Craft employment will be particularly hard hit. The study forecasts that nearly 200,000 engineering craft jobs and slightly more non-transferable craft jobs will be lost. Employment among skilled workers will fall by about 15 per cent, or by about 800,000 jobs.

This contrasts with occupational change in the period from 1961 to the beginning of the study period. Then the numbers of engineering craftsmen remained more or less constant. The declining levels of manufacturing employment were offset by the increasing proportions of engineering craftsmen being employed in other sectors.

Strikes continue to decline

BY OUR LABOUR STAFF

THE NUMBER of working days being lost through strikes is continuing to fall, according to Government figures published yesterday. The figures for November confirm the likelihood that the final total for last year will be less than half 1979's record 29.4m days lost.

The Department of Employment Gazette showed that 157,000 working days were lost through stoppages in November. The number of days lost is traditionally seen as the most accurate indicator available of strike activity.

The total continued the exceptionally low run of figures since the summer. Working days lost in the period since July is the lowest since 1966, and the 380 new stoppages reported in the period was lower than for any comparable period since the war.

Days lost in the January-November period last year was 11,907,000, which confirms Whitehall expectations that the total for the year will be well to the lower end of the 12m-12.5m range.

While the total of stoppages beginning in November at 53 showed something like the usual seasonal fall from 99 in October, the number of workers involved in stoppages in November rose markedly.

About 29,000 workers were involved in October, but this figure increased to 105,000 in November. However, the bulk of that figure, about 80,800, consisted of action by administrative, financial and professional staff—and in particular by civil servants holding protest meetings over the suspension of their comparability-based pay agreement.

● Manufacturing employment fell substantially in October by 85,000, seasonally adjusted, from the September figure, according to the gazette.

The drop was considerably higher than the average monthly fall of 75,000 in the third quarter of 1980, and can be taken as further indication of the increasing effects of the recession in manufacturing industry.

Electrical goods sales circuit recession

Jason Crisp reports that video-recorders in particular are "going like a train."

ANYONE LOOKING at the sales figures for colour television sets, videorecorders, hi-fi and audio equipment would see little evidence of a recession in Britain.

Sales are booming, even in the depressed regions. Major retail outlets report that strong pre-Christmas sales capped a good year.

The cheapest video-recorders cost about £400, but in the words of one retailer, they have been "going like a train."

Mr. David Johnson, Rumbelows' managing director, said he was having trouble getting sufficient supplies.

In the first 11 months of 1980, deliveries of video-recorders reached 300,000, more than twice the previous year's level. The growth is expected to continue this year. Mr. Johnson thinks 500,000 will be sold

Some customers buy electronic cameras to make home movies for showing on their video-recorders. Most, however, use them to record broadcast programmes which they can watch at more convenient times.

The falling cost of pre-recorded video-tapes is beginning to attract a wider use of video-recorders.

The British Radio Equipment Manufacturers Association (BREMA) says most video-recorders are still being bought by rental companies. As with colour television sets at the beginning of the 1970s, the high capital cost and the fear of breakdowns has made rental attractive to many people.

Another reason is that there are three competing incompatible systems and not all may survive in the long term.

In addition, new models keep being introduced, with more sophisticated features and longer playing times.

Television sets sold strongly. BREMA says purchases of small colour sets were 58 per cent higher in the first 11 months than in the same period of 1979.

Sales of larger sets fell by 5 per cent. At present, 25 per cent of colour televisions sold are small sets, compared with 17 per cent a year ago.

Mr. Michael Holingbery, Comet chairman, says the rise in sales is partly because people are replacing sets bought in the "Barber" boom of 1972 and 1973 — when colour set sales reached their peak, and partly to acquire a "second" set.

Small colour sets are made in the UK by a number of companies, including Thorn-EMI, Racal-Decca (for the time being), ITT, GEC-Hitachi, Rediffusion and (soon to be reincarnated) Tosbiba.

Imports have been taking a smaller share of the growing market. BREMA says imports of small colour sets fell to 63 per cent, compared with 77 per cent in 1979.

Sales of black and white sets are still growing. BREMA reports volume sales up by 11 per cent last year.

It is harder to determine what is happening in the audio and hi-fi industry because of the difficulty of defining different types of equipment. It appears, however, that the day of the music centre — a combined radio, record turntable and cassette—is fast approaching dusk as people opt for more sophisticated separate components.

The whole sector is doing well because in real terms prices have been falling. The reasons for this are the falling price of micro-electronics, more automated production and world-wide overcapacity as more nations begin manufacture.

Some of the best areas for selling electrical goods have been in the most depressed regions where people are spending their redundancy money.

The men behind a banking revolution

Francis Ghiles on how Paribas is building a far-flung empire

THE "gentlemen of the rue d'Antin," as they are known in the Paris vernacular, occupy a warren-like 17th century building close to the Opera. They are as proud and secretive as they always have been. Yet they preside over a thrusting international banking organisation which has grown out of all recognition in the past ten years, constructing a far-flung empire which now extends to 45 countries.

For the past three years Pierre Moussa has been the gentleman-in-chief (or chairman and chief executive officer, to give him his full, anglicised title). He has just forecast a further 20 per cent increase in this year's consolidated net profits of Paribas (or Compagnie Financiere de Paris et des Pays-Bas, to give it *its* full title).

The group's new international network has been crucial to its performance; a breakdown of its latest annual reported net profits of FFr 1.145bn ($284.8m) for 1979, shows that between 40 and 50 per cent have been generated by its banking and portfolio activities outside France over the past three years.

The rationale of Paribas' foreign expansion has been similar to those of other French banks. Strict ceilings on domestic lending and the growing number of government regulations do not make the outlook for banking profits in France very rosy, and many French banks have been looking abroad.

For Paribas, the run-up to the 1977 elections brought the fear of falling prey to a victory of the Left-wing coalition at the polls, and provided an added incentive to go international. It would be much more difficult, senior members of the group reasoned, for a Left-dominated government to nationalise a group with much of its assets outside France. Now that the threat has receded somewhat there is some reluctance to speak about such matters, but Moussa's predecessor, Jacques de Fouchier, was always blunt and to the point in expressing publicly his conviction that nationalisation would deal a body blow to the group.

A more positive impetus to expand abroad was the internationalisation of French industry; Paribas' holdings and connections in industry are unusually close, as a glance at the list of its directors shows.

Twenty years ago, the Paribas group had foreign branches only in Switzerland and the Benelux countries, in both cases dating from the 19th century. Expansion further afield and into the nascent Euromarkets had been begun before de Fouchier's arrival in 1969, but it is to him and his team of expansion-minded personalities that the merit really goes of building up the bank's international network.

In the early 1960s a branch was set up in London and an ill-fated attempt made to establish an investment bank in New York, with the help of Lehman Brothers. It was to be more than ten years before another such venture was undertaken, this time successfully with S. G. Warburg and A. G. Baker.

The opening-up of the Middle East in the early 1970s came as a result of the repeated blandishments of the bank's roving ambassador, Claude de Kemoularia, who had acquired broad international experience working as an adviser to the head of the United Nations Development Programme in the 1960s.

Developing links with the Middle East oil producers made sense for many reasons. French commercial links with the area were growing; Paribas had been linked with the oil industry in France ever since the day in 1924 when it had helped set up Compagnie Francaise des Petroles, in which it remains the major non-state investor. This interest was boosted by the bank's movement in establishing exploration companies in Algeria in the 1950s.

Jacques de Fouchier: original architect-in-chief of Paribas' expansionist policy

Lucrative

Today Paribas plays a prominent role in financing the trade of oil worldwide, an activity which it conducts from its Geneva office. Such business is risky, but can be very lucrative.

Building up Paribas' activity in the Middle East was all the more necessary as the group's then arch rival, the Indosuez group — the Banque de l'Indochine et de Suez—had traditionally been strong there. Indosuez is one of the four foreign banks allowed to operate in Saudi Arabia. Paribas found what Hubert de St. Amand, who is in charge of the group's international network, describes as "a lucrative niche."

This consisted of financing projects and trade between countries which did not have any of their national banks represented in the area, particularly Scandinavia, and the emirates.

Another region which the bank judged to have rapid growth potential was the Far East—here again it had to contend with a strong Indosuez presence going back to the days of France's colonial empire in Vietnam. Paribas opened in Tokyo in 1972 and six years later acquired a 5 per cent stake in Orient Leasing, Japan's largest independent leasing company.

In 1978 an office was opened in Hong Kong, a move the bank hopes will eventually open the door to Peking. Paribas has already organised the financing of three major French contracts in China in the last 18 months.

In Australia, Paribas has taken a stake in Moonies, a natural resources company which has exploration rights in coal rich areas.

The group has not been inactive in North America. Paribas set up a commercial branch in New York in 1978 and has a one-third stake in the highly profitable Becker Warburg Paribas investment bank. This was set up in 1974, following Paribas' acquisition of *a 25 per cent stake in the* London mechant bank, S. G. Warburg.

Ten years ago Paribas was the first foreign bank to open in Houston, Texas, and today is the one such institution to have achieved "Edge Act" status in the city. Such corporations are chartered by the Federal Reserve Bank to engage strictly in international banking activities. Paribas' presence in other U.S. cities is also growing, and across the border, in Canada, it has acquired a 20 per cent stake in the Montreal-based Power Corporation, a diversified holding company.

In Africa, Paribas' interests have traditionally been closely linked with French interests in former colonies. The emphasis has usually been on raw materials: uranium, iron ore, manganese and oil, in Gabon. Morocco was for many years a happy hunting ground after the bank had arranged its first ever major international loan for the Kingdom when it raised FFr 100m in 1905. By the late 1930s observers wondered who was more influential in Morocco: the bank or French government officials.

In Europe, a string of new branches has been opened this year in Southern Europe (Spain, Italy, France) complementing those opened in London and Germany in the early 1970s.

One of the main activities of most of the foreign branches is financing French exports. Senior executives in the Rue d'Antin are particularly fond of claiming that Paribas is a cut above its competitors in the support it provides for French export companies overseas. They attribute this to the group's unusually extensive stake in leading French industrial companies.

Paribas may have often been ahead of the game in spotting growth areas in industry over the years, but it has had its fair share of losses, notably in the domestic steel and paper sector. Ironically, Indosuez also lost money through its steel interests.

In the Euromarkets, Paribas, as with most other French banks, had limited its involvement in the syndicated credit sector for the past 18 months because margins are unsatisfactory. It has concentrated instead on export-linked lending, preferably backed by the official French export credits agency. It has only joined in financial credits when it felt this was necessary to develop the bank's international activity, particularly in Latin America where it has been less active since 1945 than before.

Paribas shares with other French banks the handicap of a relative lack of a safe dollar pool, despite its expansion overseas. In the Eurobond market however, it has made its mark: most natural buyers of fixed interest dollar Eurobonds were domiciled in the Benelux countries and Switzerland, at least until the mid-1970s. Paribas' deep roots in these countries gave it considerable muscle to place these bonds.

The bank has always ranked among the top ten lead managers of new issues although during the past two years it has been less active on this front because volatile interest rates and a weak dollar have made investors think *twice about investing in such* paper. Last summer, however, Paribas won the fierce contest to lead manage two dollar Eurobond issues for the World Bank, amounting in all to $500m, in quick succession. This was the first time this influential borrower had raised fixed interest dollar bonds outside the U.S. market.

The bank is stepping up its activity in this field this month when it sets up a new bond trading room. This will complement its long standing Eurobond dealing activity.

Unlike Jacques de Fouchier, Pierre Moussa says he has no other ambition "than to continue what my predecessor did." The challenge he faces is to hold together a bank whose *growth has been very rapid and* geographically widespread. He will also strive to ensure that an essential feature of the group remains: the ability to make quick decisions because a dozen or so senior executives really matter and tend to take decisions in common.

Elegance

Paribas is not a place where the approval of endless committees must be sought before a major move is agreed; a few meetings in the hushed elegance of the bank's gilded Louis XIV rooms can result in swift action.

The latest recruit to the inner *circle is Jean Louis Masurel,* who until last year was vice president at Morgan Guaranty in charge of that bank's overall British Isles, Scandinavian and shipping interests. His arrival is yet another indication that Paribas intends to continue widening its international network.

Pierre Moussa's eclectic background ideally suits his bank's ambitions. Once destined for a teaching career, the new chairman, who was born in Lyon in 1922 of an Egyptian father and a French mother, devoted his MA to a study of Baudelaire. He then switched course, passed the Inspecteur des Finances examination and rose swiftly up the ladder of the Ministry of Finance. In 1962 he became the World Bank's first-ever director for Africa.

He joined Paribas at the same time as Jacques de Fouchier, whose heir apparent he remained for nine years. Asked why he moved from the public to the private sector, Moussa confesses to some frustration with the endless committees which govern official bodies. "Mind you, international oragnisations are worse," he says. At Paribas he deals with smaller-scale problems but at least has the satisfaction of seeing ideas develop into reality.

It could be argued also that, at senior levels, the osmosis between private and state or para-state bodies in France is such that to speak of moving from one to the other amounts to a misuse of vocabulary. But Moussa is openly contemptuous of the manner in which chairmanships of certain state companies can be turned into political footballs. "In a private company, the chairman has to groom his successor and get him accepted. That is a key prerequisite to successful development."

But transitions are not always smooth at Paribas.

Jean Reyre was eased out in 1969, after losing the battle with Indosuez for control of Credit Industriel et Commercial. This battle royal followed the 1966 law which for the first time allowed banques d'affaires to take deposits and commercial banks to move into merchant banking. All the same, a minimum of decorum was maintained, as after all befits a bank whose main reception lobby is dominated by a statue of Louis XIV.

Pierre Moussa's senior advisors show no compunction in displaying an aura of inherent power. Outsiders making enquiries continue to elicit the kind of amused tolerance which Versailles was so prone to display when an ambassador showed up at the court of the Sun King.

THE BANKING-INDUSTRY AXIS: PARIBAS' BOARD OF DIRECTORS

Jacques de Fouchier
Honorary Chairman

Pierre Moussa
Chairman and Chief Executive Officer

Gustave Rambaud
Vice Chairman

Pierre Besse
Chairman of the Managing Committee of Compagnie Bancaire

Francis C. Fabre
Honorary Chairman of Chargeurs Réunis SA

Renaud Gillet
Honorary Chairman of Rhône Poulenc SA

René Granier de Lilliac
Chairman and Chief Executive Officer of Compagnie Française des Pétroles

Antoine Riboud
Chairman and Chief Executive Officer of BSN-Gervais Danone

Jean Riboud
Chairman and Chief Executive Officer of Schlumberger Ltd.

Lord Roll of Ipsden
Chairman of S. G. Warburg & Co. Ltd.

Ambroise Roux
Chairman and Chief Executive Officer of Compagnie Générale d'Electricité

Philippe Thomas
Chairman and Chief Executive Officer of Pechiney Ugine Kuhlmann

Paul Desmarais
Chairman and Chief Executive Officer of Power Corporation of Canada

Jean Gandois
Chairman and Chief Executive Officer of Rhône Poulenc SA

Jacques Joly
Chairman and Chief Executive Officer of Compagnie de Fives-Lille

THE PARIBAS PROFILE*

Consolidated net profits	FFr 1.145bn ($284.8m)
Assets	FFr 194bn ($ 48.3m)
Ratio net income/assets	0.59
Ratio pre-tax profits/assets	1.02
Employees	20,000

* Group figures for 1979.

NOTE: As French banks are permitted to maintain secret reserves, reported results are not necessarily an accurate reflection of actual performance.

Business courses

Profitability and Productivity Analysis, London. February 3-4. Fee: £120. Details from Department of Management Science, Imperial College, Exhibition Road, London SW7 2BX.

The Fundamentals of Finance and Accounting for Non-Financial Managers, Brussels. February 23-27. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

The Role of the Non-Executive Director, London, March 5. Fee: £85 (plus VAT) members, £115 (plus VAT) non-members of the IOD. Details from the Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Harnessing energy from the sun

AT NOON in a cloudless sky the sun's rays can provide available power in excess of one kilowatt a square metre, ten per cent of which can be converted directly into electrical energy. Harnessing this energy from direct, diffused reflected sunlight is now one of the most promising developments in the battery industry, among whose leaders in this new technology is SAFT (UK).

The company has just announced an order from Plessey Radar for 11 photovoltaic solar generators for conversion of light into energy, which will be used to power data collection platforms used in Saudia Arabia for an automatic weather station system.

Included in this order is the supply of complete generators incorporating standard equipment together with custom-designed mounting chassis/framework, cabling and optional accessories. The contract was won by the wholly-owned SAFT subsidiary, Photowatt International, which was set up specifically to manufacture and market photovoltaic generators and modules.

Trinity House has also received a complete solar generator from the company which is used to power a navigational light on the south coast of England. This installation comprises modules, a regulator, batteries, and framework/chassis, cabling and electrical connecting work.

Road, Isleworth, Middx. (01-568

More from SAFT, Worton 4466).

Feeding the forge

MANIPULATING large and very hot metal components is a fairly tricky operation, especially when it comes to placing the component in the forging press.

Greenbat (Engineering) which has long been in the business of building mobile furnace chargers for electric arc furnaces has now built to the design of Taylor Machines of Haywards Heath, Sussex, a mobile forging manipulator for hammer and press operation. It will handle ¾ tonne and a bar length of 2.600 mm, but the company says that with tong grips, special forgings, such as rings and discs, can be handled up to a weight of 1 tonne.

This manipulator is the first of a range which will handle up to 6 tonnes and it was also designed in conjunction with forgemasters Eaton and Booth of Sheffield. It runs on four solid rubber-tyred wheels, the front pair being driven by hydraulic motors to give maximum adhesion. The rear wheels are carried on an axle which can be turned to give a 180 degree lock.

The first machine has an electric motor as its prime mover, power being supplied via a cable connected to a swivelling collector head at the rear of the machine. Diesel-engined versions will be available.

Full details of the manipulator can be obtained from Greenbat at Albion Works, Armley Road, Leeds LS12 2TP (0532 442933).

Looking for a thin time in transducers

BY ALAN CANE

SENSING DEVICES—the eyes and ears of intelligent microelectronics—are the Cinderellas of new technology. Their glamorous cousins, the microprocessors, have taken all the publicity leaving them in the shadows.

As one report* said recently: "Microprocessors cannot do useful work except in combination with suitable input and output devices—sensors to pick up relevent information, transducers to convert it into electrical signals for digital processing and actuators to convert the microprocessors instructions into action. These devices, although they have recently undergone rapid development, have not improved in performance, or come down in cost, to anything like the same extent as the microprocessors themselves."

That report was unduly pessimistic. Sensing devices of high sophistication are now being produced—and while the U.S. is undisputably world leader, Britain has a very respectable share of the action.

In the UK much of the running is now being made by the old-established firm of George Salter, famous for commercial and domestic weighing machines. Two years ago George Salter set up a new company, Salter Measurement Devices, to exploit the applications of new technology to weighing and other pressure sensing applications. What the company has produced is a cheap, effective thin-film transducer, a device to convert pressure into electrical signals.

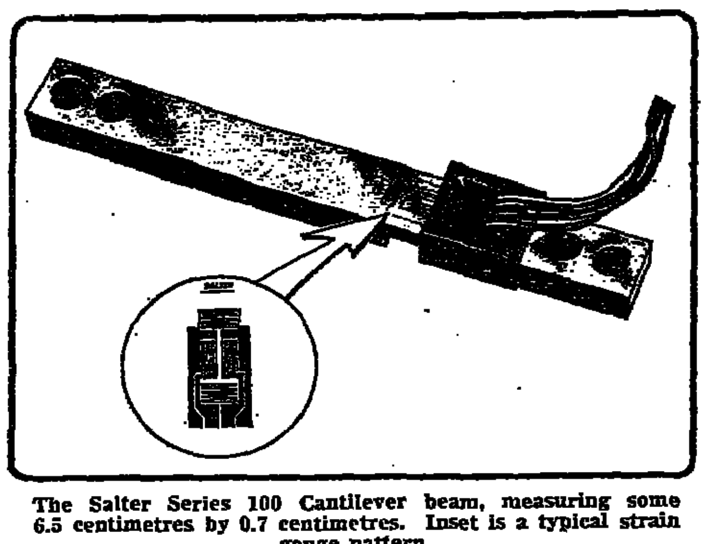
It is now clear that electromechanical weighing systems are being ousted by the introduction of transducers called load cells, simple beams to which are affixed strain gauges. Deflection of the beam when under load is monitored by the strain gauge which activates an electronic display. At the high end of the market, a British company, Measurand, is already making sealed load cells which it claims can be used in most hostile environments (see this page, October 3, 1980).

The Salter approach is to produce in high volume cheap sensors for pressure, force and displacement.

According to Mr. Derek Ingram, managing director of Salter Measurement Devices, the new sensors can be used for such diverse applications as monitoring thread tension in the textile industry and weighing chickens, dead or alive.

"We are anxious to lose the image of being simply a weighing company" he said. "The chief growth area is in the measurement of pressure, and we would like to be seen as a transducer company. The pressure sensors we will build could be used for measuring flow control valves. We can develop transducers on an OEM basis. One order was for a £25 throw-away pressure transducer giving 95 per cent accuracy over its entire life—of five minutes . . . we believe it had a military application."

Now transducers of the type Salter is mass producing are not new. The market leader is the U.S. company Interface of Arizona. It sells its simple, cantilever beam type sensor for about £140 one-off, or £70 in quantity. Mr. Ingram hopes to sell his devices for around £50 in quantity.



The Salter Series 100 Cantilever beam, measuring some 6.5 centimetres by 0.7 centimetres. Inset is a typical strain gauge pattern.

The Salter devices use advanced thin-film technology by which the strain gauge is deposited directly on to the surface of the cantilever beam rather than being stuck on with adhesive.

There are, in fact, four commonly used strain gauging techniques; bonded foil, bonded semiconductor, unbonded wire and thin film. According to Salter, the first three are labour intensive, and foil and semiconductor gauges are limited in their creep, hysteresis and long-term stability by the properties of the adhesive used.

Thin film technology involves the deposition of layers of material only millionths of a metre thick directly on to the cantilever beam surface using standard vacuum coating methods such as radio frequency sputtering.

Technical director at Salter is Barrie Hopewell with over 10 years' experience in the design and development of thin films. He explains: "By directly depositing the strain gauge structure, the gauge and its substrate are intimately in contact and the problems in conventional strain gauge applications of the integrity of the adhesives are overcome. The process is not particularly labour intensive and it offers the possibility of high volume, low cost production."

Salter is now producing its gauge at the rate of tens of thousands a week, according to Mr. Ingram.

The devices are made by loading the polished cantilever beams into a radio frequency sputtering chamber where, in a high vacuum, an insulating layer of glass some three-millionths of a metre thick is deposited on the surface followed by a layer of nichrome (the material of the gauge itself) two-millionths of a metre thick. A final impermeable layer is added.

The pattern of the gauge is contact printed on to a coating of photoresist applied to the surface by exposure to ultra-violet light — a rather similar process to that used in etching microelectronic circuits.

The Salter devices are being produced in a new factory at Bury St. Edmunds, complete with a class 100 clean room for the thin film deposition work.

According to Salter, the market world wide for the new breed of sensors could be £500m within five years. In Measurand and Salter, it seems that the UK has the skill and the determination to challenge U.S. domination of an underestimated but critical technology.

Salter Measurement Devices is on 0284 68337. Measurand is on 0604 22521.

* *Microprocessors in Manufactured Products*, Policy Studies Institute, 1980.

Gobbles up all kinds of rubbish

SAID TO have a large and versatile appetite for all kinds of rubbish, from dust to bulk litter, is industrial cleaning equipment called "Litter Gobbler" from Columbus Dixon, Lancelot Road, Wembley, Middlesex (01-902 6001).

This has an extra large capacity (30 litre) collection bag that allows long, uninterrupted cleaning in the home, hospital, factory or office. And it has a two-stage filter system in which the filter bag and the motor diffuser filter clean the exhausting air thus preventing contaminated particles returning to the atmosphere.

Machine comes with a 1,800 mm flexible hose, two extension tubes, suction and crevice nozzle. For bulk rubbish, the 2½ inch diameter and associated tools attach without any further adaptation.

Ensures steering is on a true course

A VEHICLE steering system test rig has recently been installed at Ford Motor's research and engineering establishment at Dunton, Essex, which is versatile enough to accommodate steering systems from the full Ford range — Fiesta to Granada — including right- and left-hand drive and power steering options.

The rig has six independent control channels for the simulation, from magnetic tape input, of movement and transient load conditions as experienced by vehicle steering systems.

It is based on a reaction frame which has provisions for mounting four linear actuators, one rotary actuator and a hydraulic motor.

Two of the linear actuators apply the tie-rod forces, the other two simulate wheel displacements, and the rotary actuator applies torque to the top of the steering column.

The installation is from Instron of High Wycombe, Bucks., which has constructed the control console from its standard mini-controller consoles and an operator control desk.

Each console contains the transducer conditioner modules and servo valve drive amplifiers, also housing essential monitoring facilities such as display, peak monitor, and scaling units.

Adjacent to the conditioner modules are loop compensation and cross coupling modules.

The operator control desk has provision for normal hydraulic start and stop controls, the test cycle counter, remote controls for magnetic tape and the safety interlocks and reset buttons.

Instron is on 0494 33333.

Durham University's Zoology Department is using locusts for research into the neurophysiology of insects. Because staff in contact with the insects can develop an allergy reaction specific to locusts due to inhalation of sloughed-off particles of exoskeleton they wear helmets such as this type supplied by Martindale Protection. Air, drawn into the helmet by a built-in fan driven by a small motor, is passed through a standard resin impregnated, electrostatically charged filter. Speed of the air flow within the helmet also prevents dust from entering beneath it.

Portable office computer

SHORTLY TO be introduced by Portable Microsystems, 18 The Market Place, Brackley, Northants (0280 702017) is a portable office computer in which the processor, a 5½ inch cathode ray screen, a five inch floppy-disc and a printer using five inch paper have been combined into a single unit measuring 360 x 355 x 140 mm; likely end user selling prices will start at £2,500.

The unit is used in conjunction with a plug-connected stand alone keyboard which can have standard typewriter key format or a similar layout with an additional numerical key section.

Based on the Z80 microprocessor the computer is equipped in standard form with 64,000 bytes of random access memory and also has interfaces built in for connection to additional five and eight inch external floppy discs, to a Centronics printer, to another display (video output) and to a bus for working with other devices.

The CRT can show 24 lines of either 73 or 42 characters, or graphics produced from a 512 x 512 matrix (one graphics dot can be produced in 25 to 60 microseconds).

The computer, which is known as POD-501, uses a disc operating system compatible with the CP/M software of Digital Research in the U.S.

A wide range of system programs such as payroll, stock control, data gathering are available.

NEWS IN BRIEF

COATINGS

GROWING WITH the costs of gas, electricity and oil is the popularity of powder coatings. These now show substantial energy savings over standard materials because temperature requirements can be reduced as much as 25 per cent.

Low bake powders in the past suffered from relatively poor flow, particularly with matt finishes, but a range today, Rockhard PE, promises surface finishes comparable to standard cure powders.

These are ideal for coating refrigerators, central heating boilers, tumble-driers and a wide range of domestic appliances, says Ault and Wiborg Paints, Jamieson Road, Birmingham.

LABELLING

SELF-ADHESIVE printed labels for the packaging industry are being produced by a new method which promises to reduce costs by 70 to 80 per cent, says Vi-Seal Tapes, The Grove, Oldhurst, Huntingdon, Cambs. (0487 822 613-777).

The labels come in perforated roll form and are a special laminate with a message printed to clients' specification, sandwiched for protection between a vinyl base and a transparent polypropylene cover tape.

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FINANCIAL TIMES SURVEY

Wednesday January 7 1981

Private Medicine

Demand for private health care is increasing sharply as more people turn their backs on the hard-pressed National Health Service. But until the subject of medical treatment is removed from the political arena, the booming private sector's future will remain difficult to predict.

Moves to prevent shortage of beds

By Robin Pauley

PRIVATE MEDICINE is a political hot potato which refuses to cool down. But demand is growing at such a pace that in some areas there may soon be a shortage of private clinic beds. The ultimate irony would be for people paying hefty insurance premiums for better facilities and treatment on demand to end up on waiting lists for places.

Yet that is a possibility which has started to worry the provident associations and one, the British United Provident Association (BUPA), has gone into the building and acquisitions market to try and head it off.

The number of people covered by private health schemes has jumped by more than 25 per cent in the past year, with the three main schemes now having more than 1.5m subscribers. Many are in family schemes, covering 3.4m people or 6 per cent of the population.

They are paying from as little as under £5 per month for a scheme covering a young single person on the cheapest scale up to about £40 a month or more for someone over 65 (who was a private already a member before he retired) renewing a family scheme policy. Many people, of course, pay nothing at all or very little as membership has become an increasingly popular company "perk."

The private sector has grown during the last decade into very big business, accounting for more than £1bn a year. The two largest provident associations—BUPA and the Private Patients Plan (PPP)—scoop in about 96 per cent of all the subscription income. For BUPA this represented £90.3m in 1979, an increase of 15 per cent on the previous year. (In 1948 BUPA had just 39,000 members and an income of £75,000 a year). It has total assets of £151m.

The story is the same for PPP. In 1979 it took £28m in subscriptions, up 17 per cent on 1978, and paid out £21m in benefits, 39 per cent up on the year before. General reserves stood at £19m.

Until very recently neither association was directly involved in independent hospital construction and management. In Britain that has mainly been the concern of the Nuffield Nursing Home Trust, which receives some financial support from the provident associations.

The trust has analysed demand for private facilities in Britain and now has a map to indicate likely areas for development. Inevitably, London and the South-East are best served and there is actually evidence already of over-provision in the capital, with some clinics closing some rooms or floors (although they always deny strenuously that this is the case).

Northern Ireland, Scotland and most of Wales are virtually dead territory for independent hospitals and anyone wanting treatment in a private clinic in those areas must be prepared for long journeys away from home. The same goes for much of the North, East Anglia and most of the West Country in England.

Inflation has made life all but impossible for other providers of independent hospitals—such as charitable trusts and religious organisations. The huge amounts needed to build a hospital—£2.8m for a 30-bed unit—and the number of years taken to raise such amounts by appeal mean that inflation erodes income faster than it can be utilised. So commercial providers are increasingly to the fore.

U.S. arrivals

The prospect of high profits in the expanding private sector medical field in Britain has brought no fewer than 14 U.S. companies in to test the ground. Many create a lot of noise and precious little action and there is a good deal of spectacularly unsophisticated brinkmanship around, with Company A threatening to build on a site opposite one tentatively proposed by Company B just in the hope of scaring off the competition.

Most of the U.S. activity which turns into actual bricks and mortar is by AMI (Europe), which owns four private clinics in London, including the Harley Street Clinic, owns or manages several more outside the capital, is building at Harrow and plans to build a 50-bed hospital at Canterbury.

The political argument which has raged for decades over private medicine hinges on different concepts of equality. The National Health Service (NHS) was designed and created to provide a cradle-to-grave system of comprehensive care for the entire community, financed out of taxation and free of charge at the point of consumption. The private system, the argument runs, encourages queue-jumping, favours the rich at the expense of the poor and so is elitist, and drains away resources, both financial and human, from an already severely under-resourced service.

The argument in favour of the private sector usually is based on freedom of choice for those able to afford to choose. Its supporters say that those who can and want to pay for more than the basic level of treatment should be able to do so—thereby incidentally relieving pressure on the NHS, reducing waiting lists and pressure on scarce resources and facilities.

A recent investigation for the Institute of Economic Affairs quoted in "The Litmus Papers, A National Health Dis-Service" by the Centre for Policy Studies (CPS) showed 78 per cent of the British population to be in favour of arrangements to contract out of the NHS as a general principle. Just over half said they would themselves contract out if the Government offered a voucher of half the cost of private insurance.

Suppose after a transitional period 50 per cent contracted out. The cost of tax relief would be £1bn (1980 prices) leaving £9bn or 90 per cent of the present funding available to the NHS to provide for the remaining 50 per cent of the population. By hiring surplus facilities to the private sector the NHS might even be able to maintain the finance available to it, the CPS says.

If 80 per cent contracted out the tax relief would be £1.62bn, leaving £8.38bn of the present resources to provide NHS care for the remaining 20 per cent. If the Treasury took £2.5bn a year to reduce the Budget deficit the NHS would have 60 per cent of its present budget to care for 20 per cent of the population.

The main hole in this piece of logic is that one can already hear the cries which would go up about the cost per head of NHS provision for the 20 per cent. Lack of NHS patients would cause hospitals to close in the same way as falling school rolls are shutting schools. This pattern repeated across the country would cause pockets of serious under-provision and the NHS minority would be left severely disadvantaged.

The argument also presupposes that the private sector would take over the cost-intensive sectors of the service which are presently badly catered for on the private side—if at all. It is difficult to find a scheme offering private cover for psychiatric, geriatric, psycho-geriatric or maternity patients. In 1977 these categories took up some 50 per cent of all NHS beds.

Reappraisal

At the moment none of the private schemes covers visits to the general practitioner or the drugs prescribed by GPs. Such a large shift into the private sector would require a complete philosophical reappraisal of health service financing, both public and private. The present system of the private sector choosing to cater for largely short-stay and acute illnesses in private hospitals could not continue.

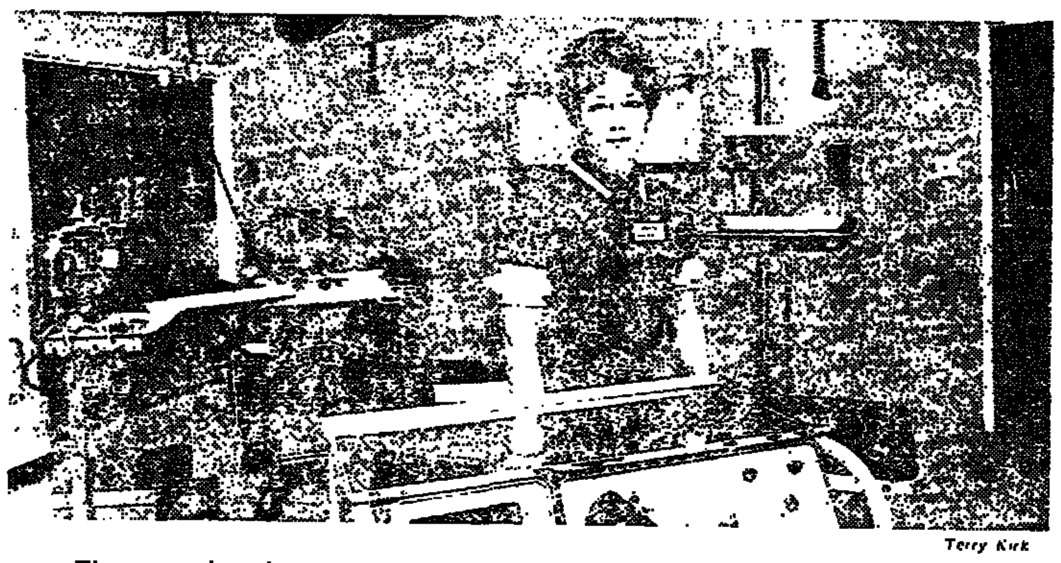
The provident associations and others concerned with the development of private health care think that it could be expanded to cover everything and anybody.

At first sight they ought to be encouraged by the attitude of the Government, which favours the private sector. Dr. Gerard Vaughan, Health Minister, has said he would like to see at least 25 per cent of treatment carried out in the private sector, Mr. Patrick Jenkin, Health and Social Services Secretary, has agreed that consultants should be allowed to earn more money from fees in addition to NHS work.

But the private sector is still worried and unclear, particularly as some of the circulars and statements from the Department of Health and Social Services and its Ministers are sometimes confusing and contradictory.

The real worry in the private sector, particularly as it gets deeper and deeper into very expensive long-term capital projects, is the inability to get the subject out of the political arena. A general election is never very far away in Britain and governments change with almost unfailing regularity.

A new Labour administration, with the Party moving the way it has since the last Party Conference, is a prospect which sends shivers through the robust private sector. It knows that private medicine's future may just not be as healthy as it looks.



Terry Kirk

The operating theatre at the North London Nuffield Hospital in Enfield

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An argument which has refused to die for 34 years

PAY BEDS

ROBIN PAULEY

WHEN IS a bed *not* a bed? The answer is when it is a *National Health Service pay bed* because then it is only a bed for patients willing to pay *for it.* For the rest, even though they are "paying" for the NHS through direct taxation, it is not a bed.

This, much more than the increase of private beds in privately funded clinics and hospitals, has been at the centre of a fundamental political and philosophical argument which over the years has simply refused to lie down and die.

Depending on which side you take, this row is about whether *pay beds help to* prop up the crumbling financial base of the NHS *and maintain its standards* or whether they simply encourage privilege, *queue jumping* and the diversion of already scarce resources away from the NHS, weakening it still further.

The last Labour administration broadly took the latter view and set about abolishing pay beds. The new Conservative administration took a completely contrary view and halted the phasing out of pay beds in NHS hospitals.

Dr. Gerard Vaughan, Health Minister, has said the Government would like to see 25 per cent of treatment eventually carried out in the private sector and while this does not necessarily mean more private beds in NHS hospitals, it does underline the trend which the *Government's health philosophy* intends to follow.

Pay beds go back to the inception of the NHS. Aneurin *Bevan had dreamed of a truly* egalitarian service which would provide equal medical care in and out of hospital for everybody. But the medical profession at that time did very nicely—even if it is a gross exaggeration now to allege that it made a killing—out of private practice. And to appease the senior doctors and consultants a clause was inserted into the National Health Service Act 1946 which *has haunted successive* Health Ministers in every administra*tion to date. It simply allowed* consultants to treat private patients in pay beds in NHS hospitals.

These beds are sometimes in single rooms, somtimes grouped together in private wards or, in big teaching hospitals, around one wing. In other hospitals they might be one or two beds at the end of a public ward—without the luxury fittings, colour televisions, private telephones and all-day visiting associated with private clinics and often confused with NHS pay beds.

Under-used

The Labour Government's *Health Services Act set up* a Health Services Board, since *abolished by the Tories, and* one of its main functions was to phase out pay beds. *In 1977* there were 4,444 of them out of a total of 470,000 NHS beds in Britain (down from 550,000 in 1959).

And that tiny proportion of pay beds was actually seriously under-used. *The Board started* phasing beds out which were at least 50 per cent under-used (although some were 70-80 per cent out of use) and it set itself a target date of 1982 for killing off all pay beds in the NHS.

Because of this considerable lack of demand, the present Government does not intend to replace all the beds already withdrawn, particularly as the rapid growth in the private clinic sector will increasingly attract paying patients to those facilities wholly outside NHS establishments.

But the Government has always been concerned about the better cost-effectiveness, as they see it, of pay beds when they are in use.

Since 1967 the average stay of pay bed patients has dropped from 10 days to *six against* a full from 12 to nine days in "free" NHS beds excluding geriatrics, psychiatry and some special units. Nearly twice as many patients are treated in a year in a fully used pay bed as in a standard bed.

Whether this is simply caused by patients getting themselves out as fast as possible *because each extra day adds to* the bill is doubtful. Most patients, go home when their doctors tell them to.

The current charges for private accommodation in NHS hospitals range from about £140 up to £748 a week at a London postgraduate teaching hospital. The *middle range* of £400 to £500 is comparable with the *general scale of fees in private* clinics and hospitals although the *maximum charges at some* London clinics have now soared to £1,750 a week.

But the charge bases are different. The NHS charges a fixed sum which is supposed to reflect the full cost of providing full private facilities in the NHS, whereas the private sector *independent hospitals charge on a system related to what is* actually used, making every pill count literally. Two aspirins are *twice as expensive as one.*

But the claim that NHS pay bed charges reflect true costs is open to dispute. A recent Counter Information Services report, "NHS, Condition Critical" says:

"Pay beds have never given as much to the NHS as they *have taken out of it.* In 1974, revenue from pay beds was *£14.3m while one estimate of* running costs (based on Department of Health and Social Security hospital costing returns) for these beds was £21.5m. The NHS was subsidising the private sector to the tune of £7m in one year."

An important element in this discrepancy has been the undercharging for the capital cost *element on treatment bills and* although this has been recalculated and adjusted there was still a £4m shortfall on pay bed *revenue last year.*

The CIS report also supports the view that private medical care within the NHS drains all resources.

"Pay beds in NHS hospitals have allowed consultants to use NHS staff and equipment to treat private patients. The result is NHS staff have less time to devote to NHS patients. NHS part-time consultants often delegate care of their NHS patients to junior doctors, to allow them more time with their private patients.

Strong denials

"The Parliamentary Expenditure Committee has confirmed this and noted that private operations were frequently *authorised to take place early* in the day so that delays if they occurred, would affect the NHS and not the private patients. Private patients 'would be brought in at short notice (usually leading to) the cancellation of one or more NHS appointments'." — Fourth Report of the Committee.

Consultants and the BMA *have always argued strongly* against these allegations and all forms of queue jumping. They maintain that all patients are admitted to hospital on the basis of medical need alone and on the advice of consultants.

There is little dispute about *that in the case of acute* and serious illnesses. But the argu*ment becomes more* blurred at the margins over medically non-urgent — although very painful or uncomfortable — conditions, the most *notable being arthritic* and rheumatoid complaints, especially the *hip, and* hernias.

Every pub bar has its own horror story about somebody queue jumping the old lady who has had to crawl up and down stairs to use the bathroom. The fact is that, for whatever reason, many of these tales are tragically and painfully true.

Another very important argument about the drain of resources concerns *manpower.* It is not only consultants' time that goes on the private bed patients but also that of the trained nurses. This problem is now spilling over seriously as more staff leave to join independent hospitals which can offer better pay and conditions. The NHS is therefore bearing the full cost of providing fully trained nursing staff for these clinics *without reaping* any reward from that training.

A counter-argument in manpower terms is that ending of private facilities inside NHS hospitals could reduce the availability of a consultant to NHS patients if he has to spend a lot of time travelling oft to an independent clinic, perhaps some distance away, to do *his private work.*

In short, there are powerful *arguments for* and against pay beds in NHS hospitals, even without the complication of excessive political dogma from both Labour and *Conservative* sides on the issue.

The most likely outcome would seem to be that, given the present growth of the independent sector throughout the country, private beds in NHS hospitals will become increasingly under-used and will phase themselves out slowly.

Whether this happens will not have any significant bearing on the severe difficulty of funding the NHS because the amount involved is but a drop in an ocean of a problem.

Unless that *problem* is tackled radically and quickly it could well be a question of which dies first—NHS pay beds or the NHS.

Company schemes spread to more employees

INSURANCE

ERIC SHORT

PRIVATE MEDICAL treatment is no longer the prerogative of the wealthy. Medical insurance has brought it within the range of ordinary people. *The growth in the numbers of* people covered by medical *insurance has accelerated in the* past months as can be seen from Table 1.

By the end of September this year, more than 1½m people were subscribing to medical insurance, either directly or *through their companies. Since* many subscribers include their wives, or the whole family, under their policies, the number of people covered by medical insurance at that date was over 3.3m—around 6 per *cent of the population.*

Medical insurance in the UK is not offered by the insurance companies. It is virtually the exclusive domain of the provident associations, which transact only medical insurance. This is done on a non-profit making basis, there being no equity shareholders.

A large number of associations flourished between the wars *to cater primarily for the* middle classes faced with the choice of either public hospitals, then traditionally catering for the poor, or the expensive private hospitals.

With the advent of the *National Health Service in* 1948, the majority of local schemes amalgamated to form the British United Provident Association (BUPA). A few did retain their independence. The London Association became *Private Patients Plan (PPP)* and the major association in Bristol became the Western Provident Association (WPA). These three associations now account for 98 per cent of medical insurance in the UK.

There are six small associations still operating, plus two commercial insurance companies — Crusader Insurance and Allied Medical Assurance Services.

The growth in medical insurance membership has come from the spread of company schemes, where the employer pays most or all of the contribution costs. Membership of such schemes *has doubled in less than* 15 years to well in excess of 1m.

Provision of medical insurance for employees started as a "fringe" benefit for top executives to meet the cost of private medical treatment. There are several positive advantages to the company and *the executive, besides* the prestige of having private treatment.

The executive can have his operation at a time convenient to himself and his company with a minimum disruption to work.

But if the company endeavours to pay for such hospital treatment direct, then under the present tax laws, the cost of treatment counts as a benefit in kind to the executive concerned and is taxed accordingly. Since *the cost of treatment can run* into several hundreds of pounds, it can be a heavy burden to the *top rate taxpayer.*

However, if the costs are met through a medical insurance scheme, then every member of that scheme has the company's contribution taxed as a benefit in kind. This may be only a *hundred or so pounds.* So the company needs to pay the *medical bills through an insur*ance contract, offsetting the contributions against its tax bill.

TUC *opposition*

The growth in *company* membership has come both from horizontal and vertical movement. Not only are more companies setting up such schemes for employees, but many companies with schemes *are extending the coverage* down the employment pyramid, through middle management, white collar staff, and even to blue collar workers — despite TUC opposition.

The scheme arranged last *year with BUPA by the Electri*cal Trade Association in conjunction with the Electricians *Union for* 40,000 electricians caused a stir in trade union circles. But the *associations all* report a quiet revolution among manual employees in their willingness to have medical insurance. Only a minority do not take up the benefit for political reasons.

In recent years, the associations have devoted considerable effort to designing *company* schemes to meet modern medical insurance needs. The large company schemes are now tailored so that the company pays for its own experience. A company with few claims pays *lower premiums. Schemes for* smaller companies tend to pool experience.

The major employee benefit consultants are now becoming *involved in this field,* both arranging schemes for com*panies as part* of the employee benefit package and designing schemes for their clients in conjunction with the associations. But the majority of company *schemes are still arranged direct* with the associations.

The rise in group membership until last year has been accompanied by a decline in individual *membership. As Table 1 shows,* the number of individuals taking out medical insurance reached its peak a decade ago. Since then the numbers have steadily declined as contributions soared as a consequence *of inflation.*

Then last year, the declining trend was reversed and in 1979 *the number of subscribers rose.* This trend has continued this year. The new membership *is* coming from younger people with young families who are becoming disillusioned with the NHS and its problems.

Business has become very *competitive between the asso*ciations and it pays individuals to shop around for their insurance, as with other types of insurance contracts. A recent *survey by Money Manage*ment showed the best value often came from the small associations. Table 2 gives a range of costs for the individual.

Table 1: Number of Subscribers to Medical Insurance (a)

End-Year	No. of Subscribers Individual	Group (thousands)	Total	No. of Persons Insured (millions)
1970	328	602	930	1.98
1971	334	652	986	2.10
1972	328	693	1,021	2.18
1973	324	740	1,064	2.26
1974	312	784	1,096	2.33
1975	294	793	1,087	2.32
1976	275	782	1,057	2.25
1977	257	800	1,057	2.25
1978	249	869	1,118	2.39
1979	257	1,035	1,292	2.76
end-Sept. 1980	(b)	(b)	1,550	3.37

(a) based on information provided by BUPA, PPP, and WPa which accounts for 98 per cent of the market.
(b) not available.

Source: Lee Donaldson Associates

Table 2: Annual Subscription Costs for Individual Medical Insurance

Age	19-30	31-40	41-50	51-65
SINGLE PERSON				
lowest cover	53-131	58-131	67-131	74-131
highest cover	74-182	81-182	85-182	85-182
FAMILY				
lowest cover	104-213	130-231	136-251	141-285
highest cover	145-312	182-340	182-369	197-419

Source: Money Management

Non-prescription drugs' vital role

MEDICINES

PAUL TAYLOR

LAST WEEK prescription charges in the UK went up from 70p to £1 — a controversal increase but one which may provide another fillip to the sales of over-the-counter medicines. About £350m will be spent in the UK this year on these "household" medicines bought without prescriptions, *or the need for a visit to the* doctor, to treat minor ailments oneself.

These medicines, aside from selping to ease the pressure on National Health Service at its "sharp end" — the doctor's surgery — also provide an important source of extra income for the pharmaceutical industry.

Over-the-counter medicines represent around 10 per cent of the UK pharmaceutical indus*try's output* by value. *Although* drugs supplied on prescription throuhg the National Health Service provide the largest slice of income for the industry —the NHS drugs bill was about £930m in 1979/80 — more medicines by volume are bought over-the-counter.

The Price Commission, in its report on the industry published in *1978,* suggested that there were some 1,500 proprietary non-prescription medicines on the market in the UK. Of these perhaps 300 are advertised.

The volume of medicines sold over-the-counter in chemists, supermarkets *and* other stores has remained relatively *constant* in recent years. However, the belief that the market for self-care medicines would wither away with the creation of the NHS in 1948 has also proved false.

Indeed the Price Commission conceeded (in its report) that "the NHS would be quite unable to deal with the extra demand that would be un*leashed in the absence of medi*cines for sale over the counter." *The industry* has to a large extent succeeded in shrugging off the image of the "proprietary medicine" as an inferior product although the industry's trade association retains the name—the Proprietary Association of Great Britain.

The fruits of that success have been wider acceptance of the role of the non-prescriptive *medicine from politicians,* health care planners and doctors.

Thus the Royal Commission on the National Health Service, in its report published last year, said "intelligent self-medication and care can undoubtedly reduce demands on health services."

In fact the average member of the public visits his doctor less than four times a year and successive Health Secretaries have urged an even greater reliance on self help including the use where appropriate of over-the-counter medicines.

Responsibility for the industry's improved image rests in part with the industry itself. It has imposed its own measures of self control and since 1968 all medicines, whether they are prescription or non prescription, have had to be licensed. The advertising of products is now also tightly controlled through both the industry's own prepublication *system* of scrutiny and by the Department of *Health and Social Security.*

Four categories

Against this background manufacturers have developed a wide range of products aimed at the treatment of minor ailments. The four most important categories of *over-the-counter* medicines in terms of sales value are *analgesics—pain killers like* headache pills, cough and cold remedies, digestive and laxative preparations, and vitamins and tonics. Together these medicines account for about two-thirds of over-the-counter medicine sales.

Even though the list of active ingredients which can be used in these medicines is necessarily small because of the need for large safety margins, manufacturers have succeeded in *establishing wide* product differentials. This has been achieved primarily through branding, advertising and packaging.

The market itself for non-presciptive medicines is complex since they are both drugs in the same sense *as prescrip*tive medicines and consumer *goods dependent upon retail* distribution and sales for their *success.*

To ensure this success in the market place, manufacturers see branding as vital. Without branding they argue it would be impossible to achieve the volume sales necessary to fund development and innovation.

Since the market for advertised over-the-counter medicines is more or less static, competing brands can only increase *sales* and market share at the ex*pense of other products.*

This might be expected to produce fierce price competition. However the Price Commission report confirmed what was already known within the industry—that over-the-counter medicines have low price sensitivity: brand loyalty is high and customers are *loath to experi*ment.

The industry is particularly sensitive to criticism of its high advertising to sales ratios but argues that it is the low sales revenue rather than excessive advertising which creates the illusion of extrava*gance.*

Manufacturers argue that advertising is essential to the success and continued development of new products. The industry also claims that advertising, providing it is responsibly controlled, plays a vital role in *health education.*

The other major criticism levelled at the manufacturers is that profit margins on the more successful products are excessive.

The manufacturers however argue that without these products the expenses of product development, innovation and launch would be difficult if not impossible to bear.

A GROWING PART OF BRITAIN'S HEALTH CARE SYSTEM.

FROM HARLEY STREET TO THE WORLD.

If the world-renowned Harley Street Clinic—an independent hospital which has performed more major open-heart surgery than any other facility in the British Isles—were our only contribution to the famous British medical community and health care system, then AMI (Europe) could be justifiably proud. But AMI has done far more.

In addition to the internationally famous Harley Street Clinic and Princess Grace Hospital in central London, we are providing similar state-of-the-art care to both urban and suburban centres throughout England. Princess Margaret Hospital in Windsor and the Clementine Churchill Hospital in Harrow provide quality health care at the community level that incorporates the best of the world's technology and the finest in British medical skills.

An international group of health care management experts, based in our London office, provide technical support to the facilities we own and manage not only in England but in France, Spain, Switzerland, Egypt, Australia and the Far East. Their purpose is to ensure that consistent high quality patient care is delivered in each of our health care centres.

WE'RE NOT TOO INDEPENDENT TO CARE.

As Britain's oldest and leading independent health care services company, AMI (Europe) puts patient care above all other goals. For example, when cardiac surgery could not be provided quickly to NHS patients, AMI and its associated surgeons donated their facilities and medical skills. As a result, fifty patients from Liverpool were able to receive the life-saving surgery for which they could not wait.

Our ability to complement services provided by the NHS is one we believe to be essential to the continued excellence of British health care.

QUALITY CARE WHEN AND WHERE IT'S NEEDED.

Britain's medical community continues to urge the development of additional acute care hospitals. In response, AMI (Europe) currently plans to construct acute care community hospitals in key population centres throughout Britain. These new facilities will provide services to both patients and doctors that augment an overburdened health care system.

As AMI continues to expand, construct, acquire and manage facilities internationally, we will be providing even greater public access to high quality health care through modern, technologically advanced hospitals.

FROM THE WORLD TO HARLEY STREET.

Access to patient care is not only important for Britons here at home, but also to others around the world. That is why we have joined with British Airways to create a unique ClinicAir programme. Through this joint venture, patients will receive guaranteed, fixed-price health care in London from anywhere that British Airways flies. Not only will this service offer important benefits to those living abroad, it could also positively impact Britain's invisible earnings.

The AMI (Europe) commitment to quality health care is one based on service. Service to each community, doctor and patient. We are providing such service through increased numbers of facilities; through unique free-standing diagnostic programmes; and through innovative health care delivery systems both here and around the world. All of these services have contributed to our growth, and ensure that we can continue to lead Europe's independent health care services industry.

AMI® (Europe)

For more information on AMI (Europe) contact our Director of Communications, 4 Cornwall Terrace, Regent's Park, London NW1 4QP Telephone: 01-486 1266.

Equipment has to prove cost effective

TECHNOLOGY

ALAN CANE

WITH MEDICINE, as with industry, it is the State which often funds the furthest reaches of high technology.

If, for example, your concern is high performance internal combustion engines and you wish to use the very latest in analytical machinery to measure the performance of your new product, it is highly unlikely that you will find it anywhere in the private sector.

The machine, a device which generates beams of neutrons which pass through a working engine as easily as X-rays pass through a living body, and which gives a similarly useful image, is only found in research laboratories paid for by the Government.

If, on the other hand, your concern is that other form of high performance engine, the human heart, the same situation obtains.

Which is not to suggest that private sector clinics and hospitals are poorly equipped — far from it. In fact, the Wellington Hospital, a stone's throw from Lord's cricket ground in London, is generally thought to be a model of what the well found hospital should be.

It is simply that the priorities are slightly different in the private sector. The purchase of expensive equipment must be justified to the board in terms of cost-effectiveness. For this reason alone, pride of place in many private clinics and hospitals goes to the computer-based whole body or brain scanner.

The Wellington has just taken delivery of the latest model from GE of the U.S. at a cost of around £450,000. But according to Dr. Arthur Levin, founder and now medical director of the Wellington, it is worth every penny. "It is a quite outstanding machine" he said.

No other way

"It makes possible the diagnosis of liver disease and disease of the pancreas where there is simply no other way of getting to it."

The computerised X-ray scanner was pioneered by EMI and the development costs contributed to its difficulties last year. But in terms of medicine, for the first time, the machine made it possible for doctors to build up a complete three dimensional picture of any part of the body both for diagnosis and for X-ray treatment.

But like any piece of high technology equipment, they become obsolete quite rapidly. The Wellington's previous machine is only four years old.

Yet when the hospital decided to offer the machine free to the Health Service on receipt of its new machine it found no takers. Running costs must have come into the equation, but of the only two interested health authorities, South Glamorgan said the life of the machine was only three years—and it would by then have become a necessity and would have had to be replaced. And a Manchester health authority said it lacked the sophistication of modern machines.

So what makes such a machine so valuable to private medicine?

At the British United Provident Association's medical centre in Pentonville Road, workmen are erecting partitions to house the organisation's second scanner—like the Wellington, a GE machine.

Their first was a gift from a grateful patient; now it is spending £500,000 of its own money. Dr. Alan Bailey, BUPA's director of research, explains that the machine is cost effective because it makes possible accurate diagnosis without surgery, especially in the case of cancer.

That is valuable for two reasons. First, investigative operations, especially in patients with extensive malignancies, are traumatic.

Second, there is a vast difference in costs involved. The cost of a whole body scan is around £150 these days. But as Dr. Bailey points out: "If an operation was involved, £150 would not even get you into the anaesthetics room. And even for comparatively minor investigative surgery, you would be in hospital for at least 10 days."

BUPA and the Wellington represent two sides of the coin of private medicine. The Wellington, part of the very large U.S. Humana group with close to 100 hospitals in America, is designed to provide the best possible private facilities for the sick. According to Dr. Levin, up to 60 per cent of patients in the 105 bed hospital are from the Middle East, the rest coming through BUPA and Private Patients' Plan.

In addition to the X-ray scanner, the hospital is fitted out with ultrasound equipment to diagnose liver, kidney and heart diseases, orthodox X-ray machines and modern radiology equipment.

Some of the equipment, while sounding mundane, is of great practical use. The operating table in the theatre is a Swedish Kifa model. The top comes off and, when fitted to castored legs, becomes a trolley, so giving least disturbance to the newly operated patient.

BUPA—which is of course principally a medical insurance company—is interested in the other end of the business, the screening of the apparently healthy for undetected illness.

It is no accident that Dr. Bailey, the research director, is an epidemiologist, a specialist in patterns of health and ill health in the population.

The equipment BUPA uses at its two screening centres, Pentonville Road for men, Gray's Inn Road for women, is orthodox enough. There is automated equipment for analysing blood and urine, for measuring lung function and blood pressure. There are the standard X-ray machines and cubicles with equipment which can be used to test sight and hearing. The cost is around the £100 mark for screening.

Valuable

What makes the whole process particularly valuable is the extent to which the records are computerised.

Some 100,000 people have been screened in 10 years at the centre and all their records are held on the centre's Data General Eclipse mini-computer. Dr. Bailey and his colleagues have devised a system of entering information into the computer which gives the doctor all the salient information derived from all the interviews the subscriber undergoes. It is hoped soon to add biochemical and physiological information to the file.

The system checks the integrity of the data—has the subscriber given two different answers to the same question, for example, and provides a summary which can be displayed on a television screen or printed out as hard copy.

Among the standard tests, for example, is a very broad ranging interview directed by the computer.

The subscriber sits in a small cubicle in front of a television screen and is invited to answer a series of questions about his or her health and circumstances.

It is not computerised diagnosis in the style of "Mickie" the interviewing system developed by the late Dr. Christopher Evans, but it does give the doctor a broad insight into the subscriber's state of mind.

Dr. Bailey is trying to automate his administrative work now—for example, the collation of clinical breast examinations. BUPA has just bought him a Sharp microcomputer to carry out the first studies.

He emphasises that the computerised medical records are kept entirely separate from the insurance records—there is no link between the Medical Centre Data General and the head office IBM mainframe.

Dr. Bailey points out that much of what he is doing will only pay off in the long term, when it may be possible to draw broad conclusions about the effect of alcohol, smoking, vasectomy and so on on specific groups in the population. But the success of medical insurance depends on that information and that is why gadgets like Dr. Bailey's £500,000 scanner are cheap at the price

Shrinking noses mean growing confidence

COSMETIC SURGERY

GARETH GRIFFITHS

COSMETIC OR vanity surgery developed from the plastic surgery used to help servicemen from the two world wars who had suffered severe burns or mutilations, often on their faces. Techniques are basically the same except for an increased range of applications and the use of silicone.

Cosmetic surgery is very difficult to obtain on the National Health Service. NHS treatment may be available in cases where acute psychological stress is caused by physical appearances. But the waiting list for NHS treatment can be anything up to between seven and 10 years and at least 80 per cent of NHS plastic surgery is for repairing damage caused by acute burns rather than for vanity medicine.

In private medicine the percentage is almost reversed, with the vast majority of patients paying for vanity treatment. Reasons for opting for cosmetic surgery vary enormously but generally, patients believe their morale will improve after treatment. Surgeons are at pains to tell prospective patients that the scope of the treatment is necessarily limited; that it will not necessarily change their lives over night.

Many prospective patients have totally unrealistic views of themselves; plastic surgery will not make a woman of 50 look like a teenager. But plastic surgeons tell stories of patients' gratitude and of many patients coming back for more treatment.

The overwhelming majority of patients for plastic surgery are women, proportions of women to men vary from four to one to two to one, depending on individual surgeons. The range of operations for women is still much wider than for men and include breast reductions and breast augmentations, face lifts, nasal reductions and lower and upper eyelids.

Young men by contrast are particularly keen on operations to reduce the size of their ears. Prices for the operations vary from surgeon to surgeon and due to professional secrecy detailed figures are difficult to obtain.

Prices at a Harley Street practice for example would vary on the type of hospital where the operation is carried out. The surgeon's fee remains the same but patients pay for the accommodation. A breast reduction carried out at a NHS private wing would cost £1,008, at a British United Provident Association hospital £1,208 and at a profit making private hospital £1,600.

A face lift at the three different types of hospital would cost anything between £945 to £1,550, breast augmentation from £952 to £1,555, nasal reductions from £743 to £1,245 and lower and upper eyelids from between £680 and £1,245.

The most popular operation is nasal reduction and the others generaly rank behind it in equal proportion. Face lifts for example involve making incisions in the hair above the temples, going down in front of the ears, under the lobes and ending behind the ears. The skin is bandaged for about two days after the operation and the skin is smoothed. The results of a face lift are a tighter and firmer jawline, improved looking throat, and nose to mouth lines disappear.

Mini face lifts including such techniques as line filling by electric needle, abrasion and the removal of eye bags by operating on the little hernias of fat underneath the eye are gaining in popularity. Such operations take up to 1½ hours at most and patients need very little time to recover—often only a day.

Strict rules

Most patients seeking treatment from surgeons these days are British. The strength of the pound has led to a drop in foreign patients, particularly from the Middle East. At the same time, Iranians who before the revolution were an important sector of the market, have now ceased coming for plastic surgery.

British surgeons are bound by very strict professional rules regarding advertising. Membership of the Association of Plastic Surgeons involves several years' training after qualifying to join the Royal College of Surgeons.

Surgeons are privately very worried at the growth of clinics run by entrepreneurs that advertise their cosmetic surgery facilities. In such clinics any of the surgeons operating are members of the Royal College but not of the Association of Plastic Surgeons.

To tighten up the rules governing the cosmetic surgery business, cosmetic surgeons recently formed an association of cosmetic or aesthetic surgeons. This group operates within the Association of Plastic Surgeons and wants to see all patients referred for treatment through their general practitioners.

The British Medical Association is expected to approve guidelines today on private cosmetic surgery clinics which advertise directly to the public. The guidelines lay down that patients should only see surgeons after being referred by their general practitioner and that GPs should adapt a more sympathetic approach to the idea of cosmetic surgery.

Although women make up the majority of patients for general cosmetic surgery, men are the main clients for hair transplants. Hair transplants have been taking place since the 1950s and business has built up steadily.

Hair transplants involve the transplanting of hairs from the sides and back of the head to the balding areas. Plugs or grafts of hair are removed and transplanted under a local anaesthetic. Costs vary from clinic to clinic but one leading transplant clinic which believes its prices are competitive for the sector quoted a charge of £250 per session for the transplanting of an area 2½ inches by 1 inch. A patient with a balding crown and receding hair could then have to pay up to £1,000 for four sessions to cover his baldness.

Teeth capping is probably the oldest form of cosmetic medicine and dates back to ancient Egypt.

Teeth capping varies in price not only on the type of fixtures used but also on where the dental practice is. The range of prices appears to be between £80 and £250 a tooth and a capping involves two or three visits to the dentist.

Private sector to the rescue

UNITED STATES

NANCY DUNNE

WHEN Jimmy Carter was elected President four years ago the passage of national health insurance legislation seemed all but certain. Senator Edward Kennedy, chairman of the Senate Subcommittee on Health, had long championed comprehensive medical benefits for all Americans. The concept had strong union support, and polls showed the public in favour of the scheme.

However, concern over the costs of the insurance in an inflationary economy led the President's advisers to proceed slowly. When they did come up with a proposal it differed markedly from Senator Kennedy's scheme.

The differences were never fully resolved, and now, with Ronald Reagan about to take office, national health insurance is dead for at least four years—and most probably buried for the decade.

National health insurance drew fire from two groups. Those opposed on philosophical grounds, believing it would constitute "the first fatal step towards socialised medicine" and those fearing the costs of the plan. The latter pointed as bitter example to the sky-rocketing costs of the Medicare-Medicaid programmes, established in the 1960s for the elderly and poor, which zoomed in cost from $4.8bn in 1967 to $53bn in 1980-81. Both programmes, crippled by corruption and abuse, proved discouraging for those lawmakers who once wished to expand the role of Government into health care.

So great was the reaction against increased Government involvement in the health care system that the Carter Administration was unable to get Congressional approval for relatively mild legislation limiting booming hospital charges.

No costs have climbed higher and more consistently than those for health care. In 1965, Americans spent $39bn for medical expenses. Last year the total was $206bn. One out of every $12 spent in the U.S. is for health care.

In attempting to subdue unruly costs, health care providers have increasingly looked to private enterprise for a solution rather than to Government. The industry has become big business and, in some respects, that has been good for the system. As a business it has produced important technological advances and a marvellous variety of life saving drugs. It has also produced management techniques which are sustaining the existence of many of the nation's financially ailing hospitals.

The 7,000 U.S. hospitals are mostly publicly owned and non-profit making, but they have been hit hard by rising labour and equipment costs. Increasingly, public hospitals are being taken over by profit-seeking chains which, with mass management techniques, are turning disaster into profit.

Export market

About one out of seven hospitals is now investor owned. Another 300 are being managed by chains. A growing export market is even developing with chains constructing 34 hospitals abroad, including eight in Britain.

Hospitals, which account for 40 per cent of the costs of U.S. health care, have begun to court patients directly. Many have established marketing departments designed to attract business. Advertising for both hospitals and physicians is no longer banned by the American Medical Association. Both dentists and doctors have taken to hawking their services in newspaper advertisements.

While health care is growing increasingly commercialised, it is not necessarily growing more competitive. Just a handful of large companies dominate the health insurance system (Blue Shield plans cover about 40 per cent of the nation's population) and this system has nudged costs ever upward.

Only one-third of all medical bills are payed directly by patients. Most of the time the costs are covered by health insurance, Medicare or Medicaid.

The majority of workers receive health insurance through their employers business, which will pay an estimated $63bn for health insurance payments next year, either passes premium increases partially to employees or fully to customers. Government pays for higher Medicare and Medicaid costs through higher social security taxes.

The insurance system is based on cost reimbursement and it provides few restraints on costs. It discourages preventative medicine and encourages hospital use. Because regular check-ups are rarely covered by insurance, many workers wait until they are sick enough to go into hospital before they seek medical care.

To counteract wasteful, expensive insurance practices, the Government is fostering health and maintenance organisations (HMOs). Pre-paid physician and hospital care units have been receiving Government money since 1973 and their membership has been on the increase. They are most popular on the West Coast where one out of ten Californians is a member of the Keiser Plan. The California group employs more than 3,000 physicians and operates its own hospitals.

Promoted as efficient and economical by the Carter Administration, HMOs are essentially groups of physicians who form co-operatives to provide office and hospital care for members who pay fixed monthly fees. In the past three years HMO membership has leapt from 6.3m to 9.1m.

Of the 225 HMOs in existence, 115 have qualified as non-profit, federally approved, organisations, eligible for Government loans to get them started.

Along with its financial support, the Federal Government has pushed HMOs by requiring that any company with 25 or more employees which provides health benefits must offer HMO membership as an alternative to traditional forms of insurance.

HMOs have achieved a new respectability since the days when they were stigmatised as assembly-line socialised medicine. The treatment they offer is often no less depersonalised that that meted out by private doctors who see four or five patients at a time in several different waiting rooms as they rotate from one to the other checking pulses, temperatures and symptoms, ordering tests and dashing off drug prescriptions.

Big business may have come to the cost-plagued health-care industry, but self-treatment may not be sufficient if the patient is to make a complete recovery.

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PRIVATE MEDICINE V

Provident associations put up capital

HOSPITAL BUILDING

ERIC SHORT

THE PRIVATE sector of medicine within the UK has always been small relative to the public sector ever since the formation of the National Health Service in 1948.

Private medical facilities have always been geared to serving a very small minority of the population—those that pay direct for private treatment and those covered by medical insurance.

Before the situation changed over the past few years, the existing stock of private pay-beds within the NHS, together with the beds provided by the various private hospitals, was *sufficient to meet the needs of* those seeking private treatment.

Almost all the new hospital building has until recently come from the Nuffield Nursing Homes Trust, a charity set up in 1957 by the British United Provident Association. This is now the largest private hospital chain in the UK with 30 hospitals spread round the country providing 1,100 beds.

Haphazard

Prior to the formation of the Trust, the development of private hospitals had been very haphazard, many of them being founded by religious orders.

This cosy relationship which has existed since 1948 was suddenly overturned by events in the past few years. First came the phasing-out of NHS pay-beds under the last Labour Government, urged on by the Health Service trade unions. Although this closing of beds has now ceased under the Tory Government, the move has not been reversed and now there are almost 2,000 fewer pay-beds, leaving 2,500 still available.

At the same time, there was the start of a rapid growth in the number of people covered by medical insurance, particularly through company schemes. The number of people as potential users of the private sector has grown considerably.

By the end of September this year, 3.8m people were covered by medical insurance, around 6 per cent of the population. The numbers are likely to expand further with the continued disillusionment of some sectors of the population with the NHS and its problems.

Thus there is the potential situation of more people seeking private medical treatment and fewer hospital beds available to meet the demand. Overall, the position is in balance with enough beds available to meet current needs. But in some areas, the closure of NHS pay-*beds has left a local shortage* of private beds.

In these circumstances, the old methods of building hospitals and finding the necessary finance were not capable of providing the necessary beds quickly enough in those areas where there was a need.

*Under the old system, a com*munity wishing to have its own private hospital approached NNHT with the proposal. If the Trust considered it feasible, the organisers in the district undertook to raise as much capital as possible mostly through covenants, while the Trust covered the balance of the capital, provided the bridging facilities and met the professional fund raiser's fees. Once sufficient capital was raised work began on building the hospital.

This system does not meet current needs for two reasons. Raising capital is more chancy than it was even a couple of years ago. The appeal may get underway or it may be a flop. Secondly, even a successful appeal takes several months to build up, during which building costs escalate through inflation. The Trust is having to find a higher portion of the capital needs to get started on any project as soon as it is feasible.

Big strain

This has imposed a considerable strain on the capital re-*sources of the Trust. Being a* charity it relies on outside help for its capital resources. The bulk of these come from the provident associations themselves.

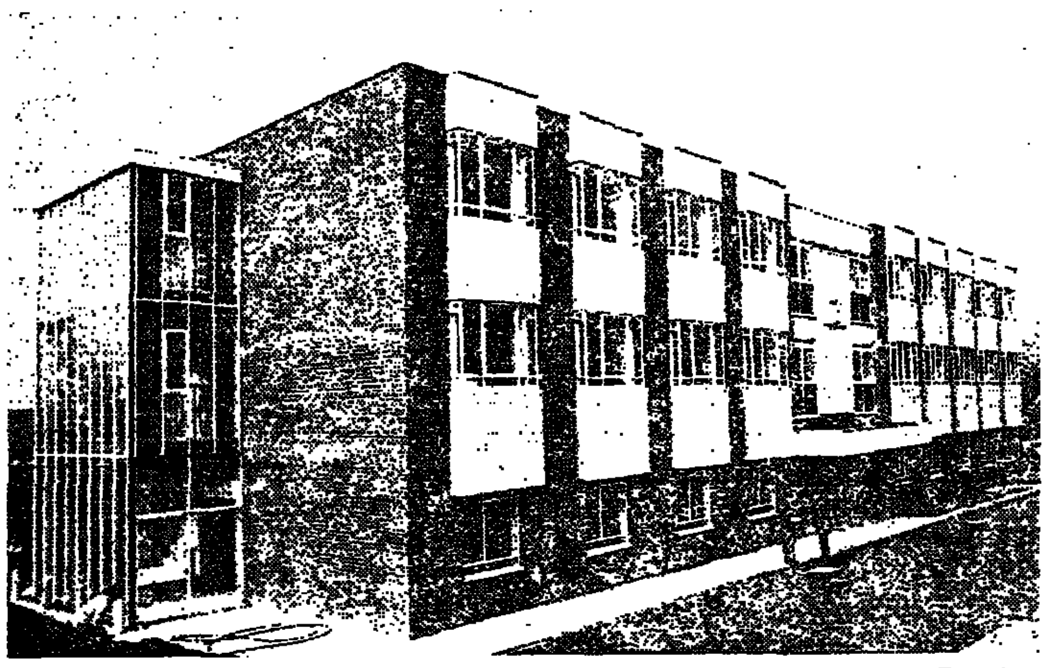
This relationship between the provident associations and the Trust is logical. Without an adequate *supply of pay-beds*, there is no point in marketing medical insurance. One of the main advantages of private medicine is avoiding queues.

But in providing the capital needs for hospital buildings out of their resources, the provident associations are keeping down *the costs of charges*, which ultimately they have to meet in paying claims.

But making covenants out of current cash flow, thereby cutting down on the tax bill, is not sufficient these days to meet the capital requirements of the Trust or any other private hospital.

If private hospitals were forced on to the commercial money market to meet their capital needs, the high rates of interest charged would send costs of building soaring and this would be reflected in the costs of private beds. It could be a millstone round the necks of private hospitals for generations. So the provident associations are making low interest loans available to the Nuffield and other private hospitals out of their reserves to meet future capital costs.

BUPA at the end of 1979 had *about £10m out on loans* with interest rates averaging around 5 per cent. Private Patients Plan, the second largest provident association has lent nearly £3m.



Terry Kirk

The North London Nuffield Hospital at Enfield has 26 single and two double rooms, an operating theatre, diagnostic x-ray department, a pathology laboratory and consulting rooms for out-patients

The manufacturing industries must feel envious at this source of cheap finance. The reply of *the provident associations* is that they pay the majority of claims so it is in their interests to keep down costs by making such loans.

The existing hospital groups are expanding the supply of beds in two ways. They are building new hospitals and they are extending and modernising the facilities at existing hospitals. The trust has two new buildings in hand at present at Derby and Teesside and has a long-term plan of extending 18 of its 30 existing hospitals.

With the shorter staying times in the hospitals the log jams are occurring in the operating theatres. The Trust is adding to its theatres at existing hospitals to ease the pressure.

In both these new buildings and extensions, the main fund *raising source of capital* remains the local fund raising appeal. The Hospital of St. John and St. Elizabeth in St. John's Wood, staffed by the Sisters of Mercy, plus doctors and lay nurses, last month launched an appeal for £3.5m *for modernisation.*

But this is not sufficient to meet expected demands. BUPA, besides supporting the Nuffield and other hospitals, has entered its own hospital building programme. It has an 88-bed hospital in Manchester due to open next April, plus hospitals at Bushey, the Wirral and Cardiff due to come on stream during 1982.

But this is a boom time for hospital building, or at least the Americans think so. The American Medical International, which owns the Harley Street Clinic and three other hospitals *in or near London*, has embarked on an ambitious building programme.

Its 150-bed hospital in Manchester costing £6.5m is nearing topping out. The £2.5m 60-bed project in Canterbury is about to start, while the £5m 110-bed hospital at Birmingham is in the planning stage. But it has feasibility studies on three other sites.

Finally, the most interesting development has been the financing of local hospitals through equity capital raised by a public share issue arranged by M. J. H. Nightingale. The company's West Yorkshire Independent Hospital was set up by a large group of doctors in Bradford to build their own hospital to meet the chronic needs of that area. The doctors put up £300,000 of their own funds, another £1.1m was arranged in loans from Barclays Bank and the Industrial Commercial Finance Corporation, a further £1.1m was placed with institutions and £400,000 raised from the public.

The costs to meet the loan servicing and to pay dividends are met *solely* from the bed charges and these will be at the top London teaching hospital NHS rates—higher than those normally charged by NNHT.

Two other companies are being formed to build hospitals through public equity capital, one coming to the market early next year.

TUC's battle becomes harder year by year

UNIONS

PAULINE CLARK

THE TUC'S annual conference would be as incomplete without a lengthy, full-blooded tirade on the dangers of private medicine and health insurance as it would without its chairman's opening address.

In recent years the agenda has ensured a fair measure of speaking time for those delegates who wanted to spell out the threat they believed private medicine presented to the standards of the National Health Service.

Debates are naturally often led by speakers from those unions with substantial membership in the health service. But the arguments are guaranteed support from the majority of union representatives in all areas of industry and public service because, in the trade unionist's thinking, the fight against the growth of private medicine in Britain is not just about protecting the interests of the 1m or so union members who work in the NHS. It is as much about socialist ideals.

For the TUC the debate also has two functions. On the one hand trade unionists hope that their *strongly worded* resolutions condemning private medicine will help to put pressure on Government to channel more resources into the NHS.

But also the debates serve as a reminder to Congress members of trade union policy and the need to preserve a commitment on a practical level not to allow private medicine deals to occupy a place in their bargaining processes with employers.

The individual trade unionist is as susceptible as anyone else to the temptation of accepting such deals to ensure the best health provision for himself and his family.

Almost by definition, the trade unionist is a person with a job. He or she necessarily shares the dread of falling sick and having to give up work and income, possibly for long periods, because of the length of NHS hospital waiting lists.

Dilemma

The dilemma for the trade unionist is made worse by the growing number of employers—particularly in white-collar occupations—who want to see their employees covered by private schemes in the economic interests of their organisations.

With the present tight financial problems in the public sector, from which the *NHS is* not immune, the dilemma intensifies.

In recognition of the problem, Mr. Stan Orme, chief Opposition spokesman on social services recently called on the trade union movement to "stand firm on the principle of the National Health Service and reject the blandishments of private insurance and the British United Provident Association in particular."

He said: "All such agreements between trade unions and private insurers should be cancelled immediately in the interests of the whole of the Labour movement in its reaffirmation of the need for a free health service."

The "blandishments" he was talking about relate to the growing attempt by private insurers to inveigle trade unionists into their schemes via deals offered to employers.

Private insurers are confident that this is what the ordinary trade union member wants whatever the political arguments of their leaders.

Over the past four years, BUPA has commissioned National Opinion Polls to undertake a number of surveys specifically on trade unionists attitudes to its schemes and has been encouraged by the results.

In March 1979 one such survey found that among a sample of more than 2,000 trade union members, 62 per cent said they were interested in private medicine as a job benefit against 23 per cent who were not.

In February 1980, 65 per cent asked a similar question were interested against only 18 per cent who were not. In addition, of those asked if they were in favour of their union accepting a deal which included private health insurance, 66 per cent said they were definitely or probably in favour while 20 per cent were definitely or probably not in favour.

That survey was said by BUPA to have covered opinions from trade unionists of which half came from the top 10 trade unions including the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers. Moreover BUPA claims that 20 per cent of its current membership consists of people who belong to trade unions.

The growth of white collar trade unionism has presented mounting difficulties for the TUC. Private health insurance has become a common perk for workers in managerial grades and white collar workers joining trade unions do not want to sacrifice this benefit for the sake of TUC policy.

White collar unions expanding particularly in the areas of finance, insurance and banking are under particular pressure. The Association of Scientific, Technical and Managerial Staffs and the Banking, Insurance and Finance Union face the problem of taking into membership staff associations which have previously negotiated private medicine deals with their employers.

Both ASTMS and BIFU emphasise they are strongly committed to TUC policy on the issue and say they do not allow private medicine to enter into collective bargaining, but their *problems in maintaining consis*tency at branch level are great.

Private health scheme operators have been quick to take advantage of the situation among white collar trade unionists and continue to offer attractive deals to employers.

The National and Local Government Officers' Association, a public service union with a large number of members in the NHS, has several times over the past 12 months found it necessary to combat the trend by issuing circulars to its district and branch secretaries reminding them of the policy of the national leadership and the the TUC.

But if the TUC is worried about the position of individual trade union members, it is worried far more about divisions among the ranks of trade union leadership.

The Electrical, Electronic Telecommunication and Plumbing Union has caused considerable controversy by becoming the first big TUC union to negotiate a major private medicine deal at national level. The agreements with the *Electrical Contractors Associa*tion is said by the union to cover one-tenth of its membership.

The scheme came into operation this year and provides regular health screening and free private medical facilities through BUPA paid for by the employers. The *scheme also* offers a cheap service for the families of electricians.

'Hypocrisy'

The union defends its position with the argument that although it would ideally like to see enough resources channelled into the NHS to render private schemes unnecessary—and is indeed prepared to fight along these lines with other union leaderships—it has had to take a realistic view of what is best for its members.

Moreover, it condemns the "hypocricy" of other unions which are aware of local private medicine deals contracted by their members while attacking the decision of the EEPTU.

It seems unlikely, however, that the TUC will moderate its stance in the foreseeble future.

The TUC's view on private medicine and pay beds in the NHS was set by the 1975 Congress and has been confirmed in a series of resolutions since then. The TUC has consistently made known to successive Governments its desire to see private practice removed from NHS facilities and rigid control of private hospital developments.

Its arguments are uncompromising and centre on the fundamental argument that the NHS can only suffer from the growth of private medicine.

A resolution put to Congress *last September and carried over*whelmingly by delegates clearly expressed the TUC's stance.

"Congress rejects as iniquitous the encouragement given to the growth of private practice in the NHS and any consideration that the service should be insurance based. Congress strongly deprecates any agreements whereby employees obtain private health service treatment or facilities at their employers' expense, as it believes that such agreements are totally against the high principles upon which the NHS *was founded, bring shame upon* the unions concerned and discredit the whole union movement."

Through that resolution, the TUC remains committed to a campaign opposed to private practice within the NHS and private medical provision outside the NHS. But the battle appears to become harder with every year that passes.

LOMBARD

The murder of language

BY PETER RIDDELL

"It is Sunday afternoon, preferably before the war. The wife is already asleep in the armchair, and the children have been sent out for a nice long walk. You put your feet up on the sofa, settle your spectacles on your nose, and open the News of the World."

George Orwell, Decline of the English Murder (1946).

George Orwell would have found plenty of material in last Sunday's edition of that remarkable British institution. Apart from the familiar blend of human interest and fallibility ("firing-range nude is a big hit"), he might have been especially diverted by a feature under the name of the Prime Minister. Mrs. Thatcher's article provides a classic illustration of the pitfalls in the use of language by politicians which so absorbed Orwell.

Recession

The article is, for a start, full of errors:

● *One, it is a fact that 1980 was the year of the worst world economic recession since the 1930s. No British Government has had to face anything quite as bad as this for nearly 50 years."* This alleged "fact" is wrong; on any definition world trade, particularly demand in UK export markets, was much more resilient last year than in 1975. The UK itself faced much tougher external pressures in the late 1940s.

● Two, and in partial contradiction of the first point, *"our sales of British goods abroad have lately been holding up very well indeed."* In a World this Weekend interview on Sunday Mrs. Thatcher also said that the UK had slightly increased its share of world trade. Both assertions are misleading. The Prime Minister need have looked no further than the Treasury forecasts at the end of November. These made clear that while exports of manufactured goods in the first 10 months of 1980 had been close to the 1979 average—though falling by over 3 per cent in the latest three months—the UK had suffered a loss in its share of an increasing volume of world trade.

● Three, *"pensioners got an increase this year even larger than the rise in the cost of living."* This is correct only by accident rather than design because of the faster than expected slowdown in the inflation rate. And the Government has already announced that it intends to claw back this gain next November through raising pensions by less than the expected rise in prices.

● Four, in explaining the rise in unemployment, the Prime Minister said one reason was *"more women looking for work."* This is also wrong since, after a rapid increase during the 1970s, the female labour force is shrinking as fewer women seek work. This is not a reason for higher unemployment.

More serious is Mrs. Thatcher's misuse of English. In his classic essay on politics and the English language Orwell argued that "prose consists less and less of words chosen for the sake of their meaning, and more and more of phrases tacked together like the sections of a prefabricated hen-house." Orwell listed abuses such as dying metaphors, verbal false limbs, pretentious diction and meaningless words.

Mrs. Thatcher (or her writers) are guilty of many of these faults. Here are a few examples from Sunday's article: "actually started," "in today's competitive world," "even little Belgium" and "the moment of truth has come." Mrs. Thatcher also believes that she can indicate sympathy only by saying, repeatedly, that she is "deeply concerned" or "particularly concerned" or, as in her radio interview, that she "earnestly hopes."

Offender

The Prime Minister is by no means the only or the worst offender but she is the most prominent. Her use of phrases which disguise rather than enhance meaning weakens her point. Orwell argues that "political language—and with variations this is true of all political parties, from Conservatives to anarchists—is designed to make lies sound truthful and murder respectable, and to give an appearance of solidity to pure wind." This applies as much now as in the 1940s. It is a pity that Saatchi and Saatchi did not feature in Monday's reshuffle.

As luxuriant a year as anyone could wish

GARDENS TODAY

BY ROBIN LANE FOX

LOOKING BACK over the past year, I remember 1980 as the best gardening season of the past seven. There were no severe spring frosts and there were no droughts after May. Autumn was clear and the summer was pleasantly wet.

My horticultural wish for 1981 is for another cool summer, no bikinis in the garden and enough rain in the weeks before Royal Ascot to get my transplanted bedding flowers off to a flying start. If you want hot weather, go abroad to find it and take your wishes with you

None the less, 1980 had its drought, which you have probably forgotten. April and May made the ground bone hard. I expected to have to chisel out the tulips and I wrote off the first spring sowings of beans, peas and hardy annuals.

Shrivelled

The white blossom on my maturing line of Amelanchiers was over in three days instead of the usual seven. Lily-flowered tulips began by opening to a lovely, unflustered shape but then split wide open in the heat. Forget-me-nots shrivelled in two open beds and I had the most unhapy show of Crown Imperials which I can recall. Their stems did not develop and their leaves were badly browned by drought.

Unless I am weeding nearby and catch the smell from their stems, I tend to forget these bulbs until they are in bud. So they went short of water and flowered miserably, as in so many other gardens. I shall wait to see if our efforts to feed them and revive them have come to anything.

These noble flowers are at home in the dry hillsides of the Near East and Western Iran. Even there, clumps vary in their willingness to flower. In gardens, they are no more predictable. They like sharp drainage, so they are best planted at an angle, tilted slightly off the vertical with a generous surrounding of sharp sand round them.

Even then, some clumps will only run to leaves. There is no obvious reason, here or in the wild. You should change any bulbs which are obstinate and hope to strike a luckier patch next time.

For all its sunshine, spring 1980 left me checking, too, on some unexpected gaps. The winter, I found, was exacting, because it was so wet. I lost several patches of quite ordinary thyme, not least the dependable Silver Queen and I took my leave of several excellent pinks.

Silver plants took a nasty tumble and I have never had so many brown patches in my big mats of the white-flowered Anthemis cupaniana. I still think this is an essential plant whose sheets of white marguerite daisies stand prettily against the grey green leaves in May. It is hardy beyond any doubt and blocks out all weeds, but it dislikes wet and takes a season to recover unless your bed is dry and sunny.

By May, the sweet peas were a write-off and I was worrying about the prospects for my boxes of annual mimulus and phlox. Perennial blue flax was having a heyday once again, my top tip for garden value as it flowers for nearly four months in any weather. Under hot sun, you have to live with pale blue flowers, not deep ones. But they are a pleasure in any colour and so thin and convenient that you can fit them in anywhere. They are excellent in warm European sites.

By June, the weather shifted and the drought dropped out of memory. The irises had scraped home before the heavy rains and had never been finer. I remember a planting of the golden yellow iris Starshine beside tall midnight blue anchusas which I would recommend for any dry border this season. When the rain came it led to exceptional growth on all shrubs and big perennials.

While your business lives turned sour and markets shrank, there had never been such growth among the eucryphias and pieris, the many viburnums and the lace cap hydrangeas. Their progress made up for the hordes of grey-fly which had hatched in the earlier dry spell and continued to resist any chemicals. Eventually, they were drowned.

The 1980 monsoon was bad news for roses, and most of the old-fashioned varieties came to an end in the same storms which finished the Test matches. Pinks in the front row were soaked and only the violas, as usual, came out on top. I would repeat my July tip for the old Hunterscombe forms, the purples and violets. They made a superb show under my developing bushes of rose Ferdinand Pichard, the longest lasting rose with striped flowers.

Thereafter, weeds, phloxes and my bedding plants were the winners. Phloxes hate to be too dry and August, 1980 showed them at their peak whenever they avoided mildew. In their ideal year, I preferred the whites and lilac blues to the strong pinks and reds and would urge you not to mix the colours in one group.

Their annual forms delighted me, too. The phlox is a good bedding plant for half shade and damp, those general conditions of the summer. The colours here are excellent in any modern mixture and the plants are able to fit in anywhere. I am ordering them by the package now for next season.

In August, the crinums flourished in the wet soil which they prefer, a mass of huge flower stems and open pink and white flowers. Again, I recommend these to any cottage garden with a damp and sunny bed, perhaps by a drain or overflow. (Now is the time to order these big bulbs for planting in early April.)

When they flowered, the broad beans were back at last, sky high and swamped with pods. In the cool weather, red currants, at least, had a field day and thereafter, it was the year of the apple.

Like some painted ceiling by Correggio, September went out in a mass of ripe apples and unpredictable skies. I had no great successes, apart from flowers on a five-year-old plant of Gentiana farreri, that exquisite variety with sky blue trumpets and olive green stripes which came back to life with me in this anniversary year of its discoverer, the eccentric Yorkshireman Farrer.

To me, its colour is the most sensational among flowers, although it does not last for long and mine is already dwindling in this wet winter after the efforts of three flower buds. In the north, I saw some fine runs of its dark blue relations, the autumn Chinese gentians, which spread into big mats when they are not short of rain. On acid soil, northern gardeners should be less afraid of these easy edging plants.

Good omens

From October onwards, you know the story — rain, more rain, and so much rain that I expect to find messages in the floating botles on our village stream, announcing that this or that neighbour is now completely surrounded by water. Fortunately, I have hesitated to cut my borders down, believing that the dead top growth will protect the crowns underneath from rot.

Other omens are good. The frost will soon pass. The primroses are already opening. My white daphnes are well into bud. Gardens at least, have turned the corner and new growth is only two months away after an as luxuriant a year as any gardener could wish.

Give a spin to Spin Again

RACING

BY DOMINIC WIGAN

DAVID MORLEY, whose busy St. Edmund's stable looks set for its most successful campaign since it notched 44 successes five seasons ago, has a strong hand for Market Rasen today. His team comprises Mountain Man, Spin Again, Tragus and Falkland Palace.

Lady Halifax's newcomer to the ranks of hurdlers, Mountain Man, is unlikely to be sharp enough to cope with Show Of Hands in the opening division of the Sleaford Novices Hurdle.

The other three may all be in the shake-up. I shall be interested to see how the relatively inexperienced Spin Again copes with the older Why So, from whom she receives 7 lbs in the Horncastle Novices Chase.

Spin Again, a Royalty mare who won novice hurdles at Huntingdon and Ludlow early last year, has taken well to the bigger obstacles.

She was a well-backed second favourite to beat Little Bay when she met her first serious setback over fences in the Hurst Park Novices Chase at Ascot. Spin Again, who finished either first or second on her three previous runs in similar events, made an out of character blunder at the third fence—in the process unshipping Bob Davies.

Sure to have been schooled patiently since that mishap in November, Spin Again I suspect will foil Why So's bid for a hat trick. The latter was far

With Kenlis, Fair View and Cheers having been scratched from the Stamford Handicap Tragus is another Morley chaser with sound prospects of returning to the winner's enclosure. Last time out this good-looking Tanerko bay showed that he may be coming back to the form which saw him landing four novice chases and a handicap chase in 1978-79.

Falkland Palace, something of a disappointment since running a highly respectable race behind Nookie Bear and The Britisher in a modest event at Folkestone just over a month ago, was a smart performer on the Flat and is given a chance to atone in the weakly contested second division of the Sleaford event.

MARKET RASEN

1.00—Roander
1.30—Show Of Hands**
2.00—Spin Again
2.30—Tragus***
3.00—Falkland Palace*
3.30—Kenlis

CARLISLE

12.45—Only Money
1.15—Precious Petra
2.45—Percipient
3.15—Bustedaway

TV/Radio

† Indicates programme in black and white

BBC 1

12.45 pm News. 1.00 Pebble Mill at One. 1.45 Trumpton. 3.20 Croesi'r Ffin. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy (cartoon series). 4.25 Jackanory. 4.40 The Record Breakers. 5.00 John Craven's Newsround. 5.05 The Strange Affair of Adelaide Harris.

5.40 News.
5.55 Nationwide (London and South-East).
6.20 Nationwide—The British Rock and Pop Awards for 1980.
6.55 Triangle.
7.20 "Tiara Tahiti," starring James Mason and John Mills.
9.00 News.
9.25 Sportnight.
10.50 Parkinson.
11.50-11.55 News Headlines.

All Regions as BBC 1 except as follows:—

BBC Cymru/Wales — 1.45-2.00 pm Mister Men. 5.05-5.40 Grange Hill. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Triangle. 7.40 Seconds Out. 8.10-9.00 Star Trek. 11.50 News Headlines, News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.50 News Headlines, News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 am Gharbar.
11.00 Play School (as BBC 1 3.55 pm).
†5.40 Laurel and Hardy in "Come Clean."
6.00 Cartoon Two.
6.05 Sixteen Up.
6.30 The Master Game.
7.00 When the Bough Breaks.
7.15 Mid-evening News with sub-titles.
7.30 Riding on Top of the Car.
8.00 The Magic of Dance: Margot Fonteyn explores her own world of dance.
9.00 "The Graduate," starring Anne Bancroft and Dustin Hoffman.
10.45 Newsnight.

LONDON

9.30 am Showjumping with Harvey Smith. 9.55 Top Gear. 10.40 Story Hour. 11.30 A Big Country. 11.55 Dick Tracy Cartoon. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take the High Road. 2.00 After Noon Plus. 2.45 Fantasy Island. 3.45 Definition. 4.15 Dr. Snuggles. 4.20 Runaround. 4.45 Brendon Chase. 5.15 Gambit.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 The Benny Hill Show.
9.00 Best Sellers: "Beulah Land," part 2.
10.00 News at Ten.
10.30 Best Sellers: "Beulah Land" continued.
11.20 The International Boat Show.
12.20 am Close: Sit Up and Listen with William Rees-Mogg.

All IBA Regions as London except at the following times:—

ANGLIA

9.15 am Jobline (comprehensive guide to employment in the East Anglia region). 9.30 Pavilion Folk. 9.55 The Chester Beatty Library. 10.45 Patterns. 11.10 Star Parade. 1.20 pm Anglia News. 2.45 Young Ramsay. 5.15 Pauline Black. 6.00 About Anglia. 12.20 am The Big Question.

ATV

9.45 am The Nature of Things. 10.35 Arts For Whom? 11.10 Murphy's America. 1.20 pm ATV News. 2.45 Young Ramsay. 5.15 In Loving Memory. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 12.20 am ATV News

BORDER

9.30 am Friends of Man. 9.55 Inner Space. 10.25 Morning Cinema: "Run Wild, Run Free," starring John Mills and Mark Lester. 1.20 pm Border News. 2.45 Love Boat. 5.15 University Challenge. 6.00 Lookaround Wednesday. 12.20 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather 2.45 Young Ramsay. 5.15 University Challenge. 6.00 Channel Report. 10.28 Channel Late News. 12.15 am Epilogue, followed by News and Weather in French.

GRAMPIAN

9.40 am First Thing. 9.45 The Human Face of China. 10.10 Cities (Stockholm). 11.05 Pilobolus Dance Theatre 1.20 pm North News. 2.45 Young Ramsay. 5.15 Batman. 6.00 North Tonight. 12.20 am Reflections. 12.25 North Headlines.

GRANADA

9.30 am Untamed World. 9.50 Spiderman 10.15 Beyond Westworld. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 Live From Two. 5.15 Welcome Back Kotter 6.00 Granada Reports. 6.25 This Is Your Right.

HTV

9.45 am Sesame Street. 10.45 The Galway Way 11.35 Looks Familiar. 1.20 pm HTV News. 2.00 Houseparty. †2.25 "Above Us The Waves," starring John Mills, John Gregson, Donald Sinden and James Robertson Justice. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 The Trojan Horse. 4.45-5.15 Straeon Y Byd: Lloegr. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

9.30 am Split Seconds. †9.55 Feature Film: "Where There's A Will," starring Will Hay. 11.10 Reality of Karel Appel. 11.25 Al Oeming. 11.50 The Bubblies. 1.20 pm News Headlines and Road and Weather Report. 1.30 Bygones. 2.45 Certain Women. 5.15 Tales of Crime. 5.20 Crossroads 6.00 Scotland Today. 6.20 Toya's Talk Back. 6.30 Take the High Road. 12.20 am Late Call.

SOUTHERN

9.30 am Call It Macaroni. 9.55 Chopper Squad. 10.45 The Wild, Wild World of Animals. 11.15 Bailey's Bird. 11.45 Cartoon. 1.20 pm Southern News. 2.00 Houseparty. 2.25 Young Ramsay. 3.20 Superstar Profile (David Niven). 5.15 Cartoon. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South-East Area only).

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 9.30 Survival. 9.55 Alphabet—The Story of Writing. 10.20 Call it Macaroni. 10.55 Stars on Ice. 11.20 Home Nursing. 11.50 Sally and Jake. 1.20 pm North-East News and Lookaround. 2.45 Danger UXB. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North-East News. 12.15 am The Visit of the Wise Men.

ULSTER

†10.00 am Laurel and Hardy in "Blockheads." 11.00 Little House on the Prairie. 11.50 Sally and Jake. 1.20 pm Lunchtime. 2.45 Young Ramsay. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather 11.20 WKRP in Cincinnati. 11.50 Bedtime.

WESTWARD

9.30 am The Amazing Years of Cinema. 9.55 Dinah Saur. 10.10 A Diary of Civilisations. 11.00 Sesame Street. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 Young Ramsey. 5.15 University Challenge. 6.00 Westward Diary. 10.31 Westward Late News. 12.15 am Faith For Life. 12.20 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am The Indians of North America. 9.45 "Finian's Rainbow," starring Fred Astaire, Tommy Steele and Petula Clark. 1.20 pm Calendar News. 2.45 The Last of Summer. 5.15 Diff'rent Strokes. 6.00 Calendar (Emley Moor and Belmont editions).

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read 9.00 Steve Wright 11.00 Andy Peebles 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Dave Lee Travis. 4.32 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.02-12.00 John Peel (S).

RADIO 2

5.00 am News Summary. 5.03 Bob Kilbey (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm Ray Moore (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.02 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Semprini Serenade (S). 9.55 Sports Desk. 10.02 It's a Funny Business (Ken Dodd on his career as a comedian). 10.30 Ken Dodd says Be My Guest. 11.02 Sports Desk 11.03 Brian Matthew with Round Midnight, including 12.00 News 2.02-5.00 am You and the Night and the Music (S)

RADIO 3

6.55 am Weather 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Mozart (S). 10.00 Simon Preston organ recital (S). 10.45 Violin and Piano recital (S) 11.20 Purcell: Recital of sacred and secular songs (S). 12.05 pm BBC Northern Symphony Orchestra (S). 1.00 News 1.05 Concert Hall (S) 2.00 Music Weekly (S). 2.50 Pierre Boulez: A performance of his Eclats/Multiples (S). 3.25 Janet Baker (S). 4.00 Wordsworth: "The Prelude" 4.30 Mozart and the Violin. 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Gardelli Conducts, part 1 (S). 7.30 Six Continents. 7.50 Gardelli Conducts, part 2 (S). 8.45 The Work of Czeslaw Milosz (S). 9.30 Beethoven and Brahms piano recital (S). 10.30 Three Problems for Don Isidro Parodi. 11.00 News. 11.05-11.15 Rachmaninov (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day: 7.00, 8.00 Today's News: 7.30, 8.30 News Headlines: 7.45 Thought for the Day 8.45 Bartleby by Herman Melville. 9.00 News. 9.05 Midweek Noel Edmonds and Company 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 Award Winners: "The Hitch-hiker's Guide to the Galaxy" (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.40 An Audio Encyclopaedia of Personal Knowledge. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast 5.55 Weather, programme news. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News 7.05 The Archers. 7.20 The Little Swallow and the Happy Prince (S). 7.45 Life Begins at 60: "Analysis" inquiry into the quality of life our society offers to the elderly, including a phone-in. 9.30 Kaleidoscope. 9.59 Weather 10.00 The World Tonight. 10.30 Old Took's Almanac (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Unforgettables. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00-5.00 am Joins Radio 2.

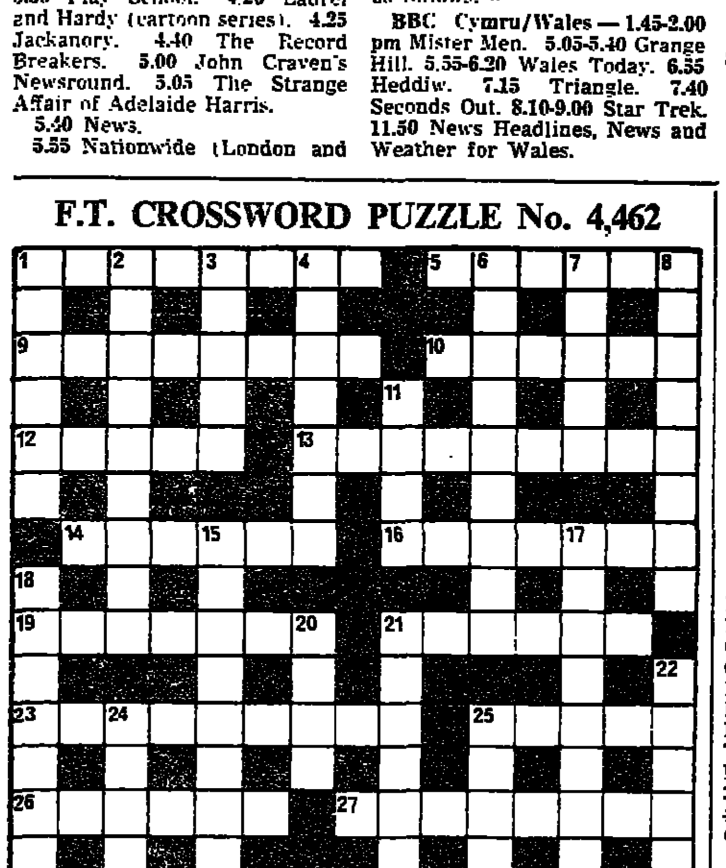
London Broadcasting

6.00 am AM — Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports 8.00 pm Jazz After Eight—Keith Howell with a "Vintage Jazz Corner." 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra 4.00 Network. 5.00 Morning Music

Capital Radio

6.00 am Mike Smith's Breakfast Show. 9.00 Michael Aspel. 12.00 Graham Dene. 1.00 pm First Report. 1.10 Graham Dene continued. 3.00 Roger Scott. 7.00 London Tonight with Sarah Ward. 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,462



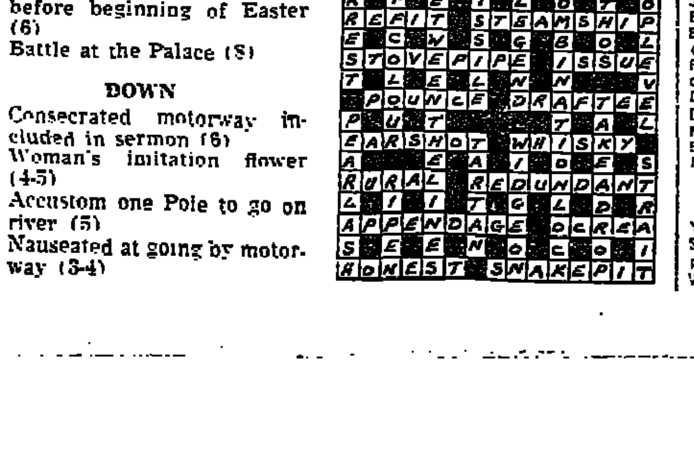
ACROSS

1 A very short way to steal perhaps (4, 4)
5 Point to lawful draw out (6)
9 Wing in heavy conditions takes on defender (8)
10 Basket jest clear (6)
12 Thread left to land in sea (5)
13 One is to act as peacemaker at once (9)
14 Company with a measure of foreign money (6)
16 Supporter of board liable to fold up (7)
19 Enjoy sport energetically (4, 3)
21 How to finish in good spirits (6)
23 Line route in which one is pregnant (6, 3)
25 Plenty of beer member gets in (5)
26 Heavily beaten when directed by AA (6)
27 Doubly fit for expressing surprise (4, 4)
28 Mean to study part of Bible before beginning of Easter (6)
29 Battle at the Palace (8)

DOWN

1 Consecrated motorway included in sermon (6)
2 Woman's imitation flower (4-5)
3 Accustom one Pole to go on river (5)
4 Nauseated at going by motorway (3-4)
6 Washer for the French to take off (9)
7 Roman conspirator sounds a bad lot (5)
8 Note in that place daughter tied up (8)
11 Skip out of room itself (4)
15 Radiant when there's fun left e.g. for transformation (9)
17 Queue to put together appendage (9)
18 Everybody inflamed excessively (3-5)
20 Additional Times leader tailed creature (4)
21 Electricity supplier boring part of prison (3, 4)
22 Blamed muddle for state of confusion (6)
24 Regret offering Irish mountains to auditor (5)
25 Broken nail left in the lot included (3, 2)

Solution to Puzzle No. 4,461



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tonight & Sat & Tues 7.30: Tosca. Tomor 7.30: The Merry Widow. Fri 7.30: The Barber of Seville. 104 balcony seats avail from 10 am on day of perf.

THEATRES

HER MAJESTY'S. 930 6605. S. CC. Evgs. 8. Sat. 5 & 8.15. Wed. Sats. 3. Mats. half price. Group sales 01-379 6061. THE STREETS OF LONDON by Dion Boucicault.

THEATRES

STRATFORD-UPON-AVON. Royal Shakespeare Theatre (0789) 292271. Access Cards (0789) 297129. Info (0789) 69191. ROYAL SHAKESPEARE COMPANY in RICHARD III tonight 7.30, tomor. 7.30. ROMEO AND JULIET tomor. & 17 Jan. 7.30. HAMLET Fri 7.30. Sat. 1.30. RICHARD II Sat. &

CINEMAS

CLUBS

THE ARTS

Television

Lollipops for breakfast

by CHRIS DUNKLEY

A cartoonist could illustrate the dawning of this new decade with a picture of Peter Jay, scythe over shoulder and hour-glass in hand, emerging from The Times building which would have on its door the notice "Closure imminent." Jay's clothing, however, would consist solely of nappies and he would be heading with an expectant smile towards the opposite side of the road and a studio marked "Breakfast Telly."

Perhaps The Times will succeed in re-opening yet again after the March closure which now seems inevitable; one fervently hopes so. But whatever its fortunes, Jay's position is irresistibly symbolic. In this age of egalitarianism he is giving up his job of providing news via paper and ink at the breakfast tables of the élite few in the hope of eventually reaching 10 times as many cornflake crunchers via television.

Since there has been a lot of idiotic talk about figures for breakfast television (mostly stemming from "would you view?" polls which show that millions would sample it but miss the fact that most would promptly resume their regular habits with Britain's unusually good morning radio services) it is worth seeing what "10 times as many" might mean. The Times' April-September, 1980, circulation figure was 290,407, giving the paper a readership of perhaps 550,000, about 1 per cent of the population. In its early stages breakfast television might if it was very efficiently run and brilliantly promoted regularly reach 5 per cent of the population.

That would be a remarkable achievement because in the U.S.—where breakfast television has existed for many years, highly competitively for the last few, and 50 per cent of households have two TV sets, many homes keeping one visible in the main dining area—the overwhelming majority of the population does not watch breakfast television: the national figure is still below 9 per cent.

Among British households only 19 per cent has two televisions, most of the extra ones being old monochrome models now kept in bedrooms, and experience suggests that the British rarely keep a set in the area where breakfast is eaten. TV-AM is going to need everything Anna and Ange and Esther not to mention Frosty and Parky can give if they are to achieve a regular audience as big as 10 per cent (5.5m people) by the time their initial licence runs out in 1993.

Still, if the existing ITV companies *don't mop up all the* surplus advertising in their drive to resist the recession, and if the recession doesn't worsen, and if Channel 4 isn't too good at attracting advertising, and if the BBC's "radiovision" mixture of "Today" with cameras (whether a spoiling operation or necessary competition) isn't outrageously successful, then it seems that TV-AM could still make a modest go of things since it needs only 5 per cent or so to break even.

Whatever one's misgivings about the start and the first few laps there seems little doubt that 10 years hence breakfast television in one or more forms will be with us. The question is: what shall we actually see on it? The IBA says that breakfast material must consist "primarily but not exclusively of news, information and current affairs" which would seem to eliminate the *Peyton Place* re-runs offered by Yorkshire TV in its breakfast experiment three years ago.

Presumably we can get some idea from the tone of the work done by Frost, Parkinson, Rantzen and (outside the news) Rippon which is already very familiar: the cheerful mateyness of the school sub-prefect with a hint of bossiness behind the placatory demotic approach. Only too easily one can imagine Esther clasping a malformed vegetable in front of the camera and telling us that cauliflower will be our best buy at the supermarket today because it's cheap *and* good for us and sometimes (big grin) it can, like this one, look just like a lady's —yes exactly.

Evidence suggests, however, that Peter Jay, Robert Kee and possibly Anna Ford would be less inclined towards any such snap crackle and pop approach. All three have proved the basic seriousness of their attitudes towards journalism, and Jay is co-inventor of the phrase "bias against understanding" to describe what he apparently sees as the habitually over-excited hit-and-run methods of television in news and current affairs.

His own series *Weekend World* (which used to be edited by Nick Elliott, yet another of TV-AM's co-founders) described itself as "The programme that takes a more thoughtful look at the news" which indeed it did. It attracted an audience a fraction the size of those for *World In Action* or *This Week* but then its Sunday lunchtime slot was clearly a handicap. Some thought its determination to explain everything from first principles—"We start our investigation of war in the Middle East with a look at green algae"—was an even bigger cause of switch-off.

Now Jay has coined the phrase "mission to explain" to describe the TV-AM philosophy towards breakfast programmes and has also been quoted as saying that their material will be fast-paced but intelligent. That brings to mind not so much *Weekend World* (which could hardly be called "fast paced" even by its best friends) but a Daily Mirror experiment of the mid-sixties entitled "Mirrorscope."

That too had a mission, seeking to explain economics, foreign affairs, science, medicine, indeed everything, in Mirror language. It contained much inspired journalism, was admired and lauded by commentators on the mass media (myself included) and, if Mirror leaks at the time are to be believed, was steadfastly ignored by a vast majority of Mirror readers. The feature disappeared in a flash as soon as Rupert Murdoch bought the Sun and set off so successfully down market to raid the Mirror readership.

Will the Jay seriousness allied to the Mirror-type appeal of his presenters make the formula work electronically nearly 20 years later? We shall have to wait and see: the service does not even start until 1983. But don't be surprised if, two years after that, it is more Murdoch than Mirrorscope.

★

Looking back over the long Saturnalia we allow ourselves these days, a few programmes stand out. Admittedly that is not difficult when all the surroundings are so flat and featureless, but there was a handful that would have been noticeable at any time. In order of transmission they were:

London Weekend's *Audience With Dame Edna Everage* which, however practised Barry Humphries may be by now, was one of the most breathtakingly well sustained pieces of unscripted comedy ever seen on the box. The audience's suntans and summer clothes looked odd but who cares.

Granada's *Staying On* in which producer Irene Shubik gambled on Celia Johnson and Trevor Howard not disappointing millions of dewy-eyed film fans who still sigh over *Brief Encounter* and won hands down: 34 years later Johnson, now 72, and Howard, 64, turned in wonderful performances as the couple who hung on when the Raj went home. Wolfgang Suschitzky photographed them superbly amid the Himalayas.

Fidelio, transmitted by Southern the day after it lost its licence, making one wonder whether its programme record was really so much worse than all the 13 companies which retained theirs or whether Southern might be the sacrificial lamb slaughtered to scare the others into line, the only other loser (Westward) having made itself a rather special case.

Thames's *Rumpole's Return* which, at two hours, was stretched and in which the work/home connections were as ever over contrived. But to get more of Leo McKern's rumpled Rumpole and John Mortimer's humane yet cynical scripts one would allow any amount of contrivance.

Thames's *Pied Piper of Hamelin*, one of the all too rare stop-motion puppet films financed by television, this one bravely and successfully using Browning's poem, and marvellously subtle lighting by Cosgrove and Hall.

BBC2's *Tales of Hofmann* which, with all its eccentricities, made good television.

BBC1's *All's Well That Ends Well*. Though not the greatest of plays it was one of those for which I value this complete oeuvre most: those I have never seen. Moreover this version, directed by Elijah Moshinsky and with all the hallmarks we now associate with Jonathan Miller's Shakespeare productions, was always engrossing to look at since it appeared to have been posed by Rembrandt, with floors by Janssens, lighting by la Tour, design by De Hooch, costumes by Van Dyck (hats by Frans Hals), musical instruments by Metsu, props by Nicholas Maes and sightlines by Vermeer.

Suitable enthusiasm over BBC2's wickedly accurate adaptation of Bradbury's *The History Man* will just have to wait its turn. There are three more parts of it to come in a year which so far looks remarkably promising: Vanessa Redgrave in *Playing for Time* this coming Sunday (do watch), access for kidney surgeons on *Panorama* next month, and *Brideshead* later in the year.

Leo McKern on Miami Beach in "Rumpole's Return"

Metropolitan, New York

Lulu

by ANDREW PORTER

The first opera of the delayed Met season is *Lulu*—the New York premiere of the completed three-act version. (There have been productions in Santa Fe and Toronto.) Of the three stagings I have seen—the Paris premiere and Santa Fe's are the others—the Met's is far and away the finest. In Paris, Patrice Chéreau put on a travesty of the opera. (In fact, he produced his own not unperceptive or uninteresting interpretation of the Wedekind plays, but ignored the fact that Berg had already interpreted and "produced" them: the Chéreau version would have been very acceptable without the music.) In Santa Fe, Colin Graham kept closer to the "book" but went astray in the final moments. In New York, John Dexter has directed a subtle and vivid staging of "what's there." So, having read in these pages of the idiocies perpetrated in recent German *Lulus*, I'm tempted to call this Met production the "real" premiere of Berg's opera.

People often misunderstand the critic's plea for accuracy to "what's there." Following a composer's production-book doesn't mean that productions all over the world will be stereotypes — any more than singing and playing the composer's notes means that every performance of, say, *Otello* will be exactly the same the world over. The *Otello* production-book is unambiguous: learn the right notes and learn the right moves, it says, as specified, and *then* the real business of interpretation can begin. The moves are composed into the music; if a producer is going to change them, he might as well change the music too.

Not all composers were "producers" in that way. But Wagner was, and Verdi was, and perhaps Berg was most of all. In the score of *Lulu*, the necessary actions are arrowed to the exact moments, written into the very fabric of the music. And when the Met production went wrong, when there were episodes that seemed "stagy" or false, it was because Berg was betrayed. Lulu's *Lied* struck a false note—and that was because Teresa Stratas sang it menacingly at Dr. Schön while pointing the revolver at him; Berg wrote "letting the revolver fall." This should be one of Lulu's "mythical" moments. And Lulu's *arietta* to Alwa went awry because it was sung coolly, in defiance of Berg's markings *appassionato* and *eindringlich*.

But such *moments* were few. On the whole it was an uncommonly accurate—and therefore thrilling—account of the work. James Levine conducts it more broadly, more emotionally, than Boulez does, but also with a fine ear for detail: and it is one of his highest achievements. Stratas is electric. In the high register she becomes strident and squealy. Like Silja, she gets through the role by pluck and determination, and one can't pretend that the result is what the score suggests. (Margarethe Siems, thou shouldst be living. . . .) But she is an imposing artist. One admires her. At the second performance her cover, Julia Mighenes - Johnson (Covent Garden's Musetta in June), took over. Without a rehearsal, she gave a performance even more accurate, easier in the coloratura flights, and beautifully direct in the way Lulu should be direct. In a smaller house than the enormous Met she would have become a star overnight.

Franz Mazura is a marvellous Schön. Kenneth Riegel sings Alwa well but he can't act; hands gesture like a provincial Rodolfo's, and eyes slew to the prompt box. Andrew Foldi, veteran of umpteen *Lulu* productions is a wonderful Schigolch. Evelyn Lear, a former Lulu turned Geschwitz, is dignified. Frank Little (the Painter) and Lenus Carlson (Ringmaster and Acrobat) are admirable. Nico Castel is under casting for the Marquis; the big set of chorale-variations that should be the revelation of the new Act III doesn't leave the ground.

The Met still protects its audiences from the full impact of *Lulu* by performing it in a foreign tongue. (A director of the Metropolitan Museum asked me in the first interval, "What's that piece of paper Lulu holds up so triumphantly?" The whole sense of the dictated letter had escaped him.) But perhaps when it's revived the directors will be braver. I've had doubts *about* the work — about, as Krenek puts it, "this repulsive crew of shady derelicts and desperate clowns and crooks." But the Met production comes closer than ever before to stilling them.

Teresa Stratas in the title rôle of Lulu

Richard Briers to direct at Leatherhead

Richard Briers, who began his acting career at the old Leatherhead theatre, playing in *The Flashing Stream*, *Subway in the Sky* and *Blithe Spirit*, is returning to direct the very first Aldwych farce, *Tons of Money*.

The cast for the Thorndike production is headed by Patricia Brake, Jonathan Cecil, Madeline Smith, David Battley, Mona Bruce, Ann Davies, John Gill, Robert James, Leonard Kavanagh and Malcolm Rogers.

Tons of Money runs from Tuesday January 20 to Saturday February 7.

St. John's, Smith Square/Radio 3

Kovacic, Schiff

For Monday's BBC lunch-time recital from St. John's, Smith's Square Andras Schiff appeared for the second time in London in three days as the very competent partner to a violinist. But after Gyorgy Pauk's straightforward accomplishment at the Elizabeth Hall on Friday, Ernst Kovacic presented a more complex, sometimes flamboyant performance. Mr. Kovacic is perhaps best known in this country as the introducer of HK Gruber's violin concerto, which he played in London last June. Gruber's concerto is a tribute to its Viennese progenitors.

The warmth and generosity of his tone towards the end of Schubert's A major violin sonata D.574 yesterday, with every accented note leant into and a willingness to take full expressive advantage of vibrato and the occasional judicious portamento, suggested that the manner of a more popular Viennese music was never far from his thoughts. Yet Mr. Kovacic managed still to leaven his music-making with a purity of line, a lightness that was sustained by his partner's attentive support.

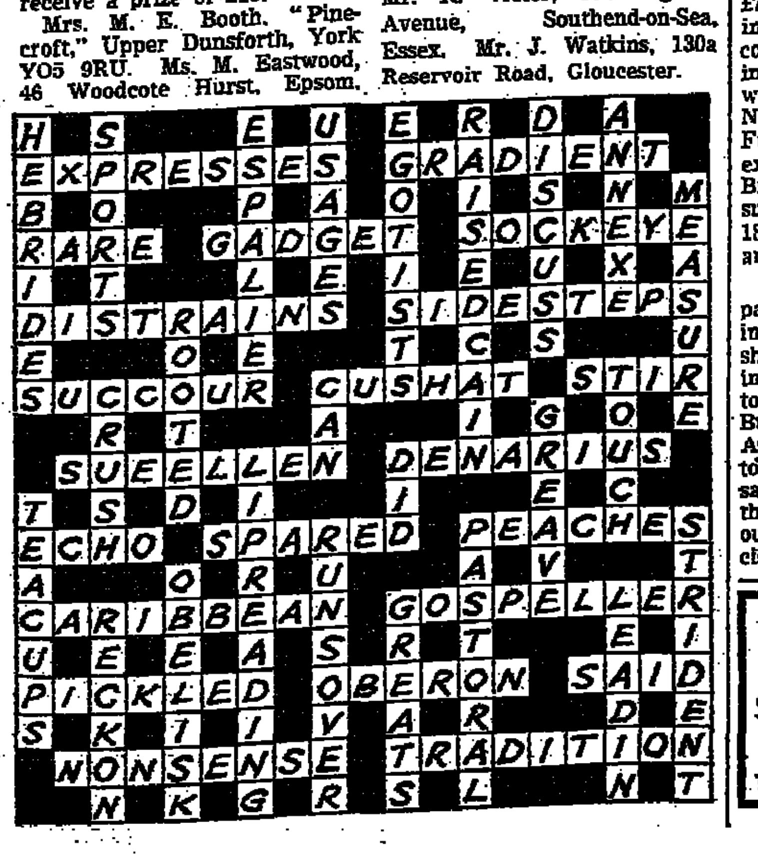
For much of Bach's E major sonata at the beginning of the recital Mr. Schiff was content to remain tactfully in the background, though he did set the mood for the second movement with some crisply - shaped rhythms. Mr. Kovacic settled down more gradually: the opening of the Bach sonata contained some untidy bumps and swirls, and only in the finale did his passage work even itself out. But Schoenberg's Fantasy Op, 47—bold choice for a lunch-time at St. John's—was confidently, forthrightly presented. It was a performance to remind us that Schoenberg wrote it "for violin with piano accompaniment": one is so used to versions that tread delicately around the thorny technical and interpretative problems that Mr. Kovacic's embracing of the work within his own Viennese tradition was in its own way quite a spectacular coup.

ANDREW CLEMENTS

Winners of Christmas Crossword

The following are the winners of the Christmas Crossword Puzzle. They each receive a prize of £15.

Mrs. M. E. Booth, "Pinecroft," Upper Dunsforth, York YO5 9RU. Ms. M. Eastwood, 46 Woodcote Hurst, Epsom, Surrey KT18 7DT. Mrs. S. Rees, 35 Munster Road, Teddington, Middx. TW11 9LR. Mr. K. Victor, 39 Brighton Avenue, Southend-on-Sea, Essex. Mr. J. Watkins, 130a Reservoir Road, Gloucester.



The arts as an industry

After the sunshine, showers loom

by ANTONY THORNCROFT

The new year has begun on an ominous note for the arts with the downfall of Mr. Norman St. John Stevas, the Minister. In 1980 he had succeeded in winning over most of the sceptics about his appointment. Perhaps he had promised too much when in Opposition but his undoubted commitment to the arts, reflected in his appearance at virtually every—often modest — function which inaugurated a new venture, became widely appreciated. There was always the danger that his bright profile would make him something of a target for the cost-cutters among his ministerial colleagues and his ingrained *joie de vivre* was always rather at odds with Government philosophy. He will be missed.

Perhaps the main difficulty facing his successor, Mr. Paul Channon, is that, unlike Mr. St. John Stevas, he is not in the Cabinet. In spite of the perpetual moaning and groaning by arts functionaries Mr. St. John Stevas did well financially for the arts, given the general economic conditions. Last year the Arts Council received an increase which turned out to be roughly in line with inflation and its grant for 1981-82, of £77¾m, represents a 12 per cent increase, which is as much as it could rationally expect. His holding the line on cash, together with the appearance of the National Heritage Memorial Fund, the plans for the Turner extension at the Tate, and the British Library, are worthy results from Mr. St. John Stevas's 18 month guardianship of the arts.

Mr. St. John Stevas had been particularly active in encouraging industrial companies to shoulder the burden of financing the arts. He gave £20,000 to ABSA, the Association for Business Sponsorship of the Arts, to help it sell itself better to industry—and to arts organisations—and set up a panel of the great and the good to carry out its own propaganda exercise, designed to tell companies of the benefits in supporting the arts. However, he never budged from the belief that ultimately the arts, especially activities like money-hogging opera, can only exist with substantial Government support. Even so, a feature of last year was the increase in commercial sponsorship, a remarkable achievement given the declining profitability of most companies.

Mr. Luke Rittner, who heads ABSA, estimates that money given by industry to the arts grew by 25 per cent in 1980 to between £5.5m and £6m, and he is optimistic about 1981. In the main, companies are increasingly aware of the possibilities in sponsoring the arts: they are more knowledgeable about the subject; and they are prepared to consider whether they might justifiably help out in some way. They are looking at it as a marketing tool rather than a *charitable handout*.

Although the most significant single contribution in 1980 was the £600,000 spread over two years from Du Maurier cigarettes to the Philharmonia Orchestra, perhaps more interesting were the commitments which won ABSA awards for companies undertaking sponsorship for the first time. Clarks (UK) has diverted £100,000 in two years from its general promotional budget (it is not extra money) into supporting the Whirligig Theatre, which tours the country with plays aimed at children. It has persuaded Whirligig to visit towns away from its natural middle-class Clark shoe buying base and reckons that the 200,000 children it has entertained—"at 25p a foot"—makes it commercially worth while.

Another collector of an award in the same category was Herring Son and Daw, the chartered surveyors, which now puts over £20,000, almost all its promotional budget, into staging concerts by celebrities at National Trust houses. It gets prestige, unrivalled opportunities for entertaining clients and prospective clients, and goodwill. Its chairman, Nicholas Owen, who is now chairman of ABSA, believes the results to be, at the least, more effective than the previous unmeasurable corporate advertising campaigns — and, at the best, an excellent way of supporting music, the National Trust, and Herring Son and Daw's reputation in a bickering business. The third award winner, Tennent Caledonian, hit upon the good idea of making an annual cash award for the commissioning and production of a new work in any art form. In 1980 the money went to composer Peter Maxwell Davies for his opera "The Lighthouse," first performed on the brewery sponsor's own doorstep at the Edinburgh Festival.

All three winners reflect the greater imagination which is fuelling industrial aid for the arts — in the past so much depended on the personal whim of the chairman or the hobby of the chairman's wife, or went into safe, prestige-laden events like the underwriting of an opera at Covent Garden or a new Glyndbourne production, where no cultural risk was being taken. Not that Covent Garden can plan new productions without outside help—the *4 per cent of its revenue from* this source makes the difference between constant financial problems and the break-even situation, which, against all forecasts, it achieved this year, another surprise of 1980.

Along with the Arts Council and commercial cash the other great potential support for the arts unveiled during the year was the National Heritage Memorial Fund with basic resources of £12.4m, of which around £2m has already been spent on saving major works of art, such as the Altdorfer painting now in the National Gallery and the medieval enamel ciborium, in the V and A, and also more enterprising ventures like the £100,000 towards the underwater excavation of the Mary Rose, the Tudor ship. Pressure is on the fund to help preserve Canons Ashby, the Dryden family home, but so far the fund has dispensed its limited resources to general satisfaction, helping judiciously but not being railroaded into squandering its money on such expensive luxuries as the Leonardo manuscript, Codex Leicester. (The low auction price of £2.2m achieved for the Codex at Christie's might add to the increasing number of deals in which rich families sell off national treasures by private treaty to the Government, earning tax relief to compensate for what might seem a relatively modest price. The Government is keen to maintain the national heritage in this way.)

The biggest bombshell of the year was the decision of the Arts Council to axe over 40 of its 1,200 clients, a list headed by the Old Vic, which loses £300,000 towards its touring costs. The old policy of keeping on for perpetuity virtually every arts organisation which had become a client was clearly becoming unsupportable, and the impact of an annual clear-out should improve standards among theatrical companies, and others, to the general good. To sweeten the pill the Arts Council announced a list of 40-odd recipients of above-average aid in 1981-82. This list caused as much controversy as the list of casualties.

So the financial problems anticipated by the arts in 1980 never rose to worrying proportions. This year it could be different, for it will be brave local authorities that maintain their vital support to arts groups in their regions at a time of very great financial stringency. At the moment the arts in the provinces are flourishing. The Arts Council has made them a priority, aiding the ENO opera company in Leeds, the restoration of the Palace Theatre in Manchester, due to reopen in the spring, and giving more aid to travelling dance companies and regional orchestras in its 1981-82 programme. The theatre in the West End has been kept alive by transfers first produced, and financed, in the provincial theatres, although with the opening at the half-price ticket booth in Leicester Square there are signs that the West End theatre managers are fighting harder for survival.

Although much ignored by television, the arts is a flourishing industry. It may have attracted too many careerists who are pretentiously obsessed with their own trivia and disdain the market place, but a cursory glance at the number of active orchestras (one too many?) in London; the theatres (many new ones, have emerged in recent years in the capital and the provinces); the touring dance and opera companies; and the glut of major art exhibitions in the past year, will confirm that the arts is one sector of national life which so far has escaped the limitations of living within its means—or perhaps there is no direct link between money and standards

Florentine Hoffmann

by WILLIAM WEAVER

Over the past few years it has become the custom, in Florence, for Riccardo Muti to conduct the opening opera of the winter season at the Teatro Comunale, as he also conducts always the first opera of the Maggio musicale festival in the late spring. But a month or so ago, just as Muti was about to begin rehearsing, he succumbed to hepatitis and was forced to grant himself an extended period of rest. The opera had been chosen (*Les Contes d'Hoffmann*) and, with some difficulty, had also been cast. To make matters more complicated, Muti had decided to use the recent critical edition of the score, so finding a replacement for him was not easy.

Fortunately Antonio de Almeida, who has devoted a number of years to the study of the *Hoffmann* question, who discovered a cache of autographs and documents employed in the redaction of the critical edition, and has conducted that edition in the U.S., was able to come to *Florence* and *rescue* the Comunale. The result was an evening of great musical interest and pleasure (of the visual aspects, more below). Muti's orchestra played at its excellent best for the visitor, and the score emerged with welcome freshness and vitality.

The many problems and puzzlements connected with the critical edition need not be gone into here (they were thoroughly and cogently discussed in the October number of the *Musical Times*). One fact, however, is important: in this edition, *Hoffmann* is a very long piece (the Comunale performance began at 8 o'clock Saturday evening and ended at twenty to one on Sunday morning, with two intervals). There was hardly a dull moment, and the notoriously impatient Italian audience remained glued to their seats until, at the very end, they stood up to award the interpreters a well-earned ovation.

To some extent the cast was unfamiliar here. The tenor Neil Shicoff, for example, is little more than a name to Italian opera-lovers. As a strong but lyrical Hoffmann, he has certainly established himself now on the Italian musical scene. His performance was unerringly stylish, and his three loves equalled him in musicality and effectiveness: Arleen Augér was a bright, witty Olympia; Catherine Malfitano, a moving but never soppy Antonia; and Brigitte Fassbaender, an authoritative, seductive Giulietta (overcoming the handicap of a hideous costume by Karl Lagerfeld). As the Muse-Nicklausee, the svelte Elena Zilio was agile, affecting in a now more vital role.

As the four antagonists — Lindorf, Coppélius, Miracle, and Dapertutto — the veteran Sesto Bruscantini established distinct, convincing characters; the voice is somewhat dry now, but Bruscantini's canny artistry made up for any deficiencies of volume. The character tenor (made up, for some reason, to resemble Offenbach) was Oslavio Di Credico, whose four comic servants were all more or less the same, and not incisive or amusing.

He received scant help from the staging of Luca Ronconi, which, in its turn, was hampered and confined by the ugly, ridiculous sets by Jean-Paul Chambas. The Stube of Master Luther, in the Prologue and Epilogue, was transformed into a Hockney swimming pool (drained); Antonia and her father lived in a museum of old instruments where, in the absence of chairs, she had to get down on her knees to play a harp; the Giulietta scene was staged in what seemed a Venetian junk-yard, most of the action — or inaction — deployed on a cat-walk.

One had the impression, as one often does with Ronconi, that the producer was more interested in shocking, anti-traditional stage pictures than in individual movement or interpretation. Thus most of the principals seemed frequently at a loose end: Frantz, for example, in the Antonia act, sang all the verses of his comic song calmly seated on an immense flight of steps. Instead of a portrait of Antonia's mother, there was a larger-than-life statue (obviously run up in record time after her death), and so the deceased lady appeared, rather like an invited guest and not at all like an apparition, at the top of the same steps. Certainly *Les Contes d'Hoffmann* is a work that invites—and, in my experience, repays—a producer's invention. Ronconi and Chambas indulged in a few tricks, but there was little inventiveness. What is the point (to repeat, wearily, a frequently-asked question) of performing a critical edition, with scrupulous attention to every note, when no attention whatsoever is paid to the composer's and librettists' visual ideas, their stage-directions?

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Odd sort of indicator

HAD it occurred a few months earlier, the half per cent rise in the money supply estimated to have taken place in banking December would have been an occasion for rejoicing by Ministers and in the markets; but after the experiences of 1980, this first gift horse of 1981 will no doubt be subjected to a full set of dental X-rays. After a full analysis of the distortions, unusual growths and cavities which this analysis will reveal, the various experts will go on thinking very much what they thought before, and Ministers will wait anxiously for more convincing evidence. To the non-technical the whole process only confirms that M3-watching is bad for the nerves.

Technicalities

To cast such doubt on the meaning of our national monetary totem is not just an exercise in post-holiday cynicism. Whether they are viewed in close detail or in a long perspective, the money figures tell us almost everything except what they are supposed to indicate — the tightness and effectiveness of monetary restraint.

The monthly details are a mine of technicalities. In December alone, for example, the figures have been influenced not only by the demand for and growth of credit, but by currency switching in response to sharply rising U.S. interest rates, by their counterpart in the short-term switched-in sterling position of the banks themselves, by the buying in of commercial bills held outside the banking system, by the timing of calls on past part-paid gilts issues, and possibly by the interaction of a strong current account and a period of temporary sterling weakness.

Long lag

When all these influences are added up and netted out, the resultant figure is subject to a large seasonal adjustment which even the technicians concerned admit is only a tentative guess. The resultant answer, and the arguments behind it, are full of interest for the student of banking developments, but of next to no use to a Minister trying to judge whether the current policy stance is too tight, too lax, or just right.

In the longer perspective, of course, these details tend to vanish — though in a period when exchange controls ended, and the balance of the current account swung unprecedentedly in our favour, even the longer trends are full of enigmas. However, so far as a broad picture does emerge, it suggests that any broad measure of the money supply responds to a change of policy only after a very long lag, and may for a long time move in the wrong direction.

There is no reason to devote too much space to analysing the reasons for this pattern; it appears well established, and central bankers in many countries regard control of the broader measures of bank intermediation as all but impossible. Two among the many reasons for this are that high interest rates are themselves an important component in recorded monetary growth, and that any dislocation of the normal pattern of cash flows—from recession just as much as from boom—is likely to cause a sharp rise in the need for bank accommodation.

Practical

All this helps to explain why many Ministers, including Mrs. Thatcher herself, are beginning to admit publicly that they are becoming at least doubtful about Sterling M3 targetry. With the Budget, and a restatement of monetary objectives, only a few weeks away, this is not just a philosophical problem, but an urgent practical one.

One thing is clear. Even if the coming figures for banking January and February show an actual fall in Sterling M3, compared with the modest growth recorded in these months last year, the growth over a full year will be far above the target range. Unless monetary growth is consigned to the list of objectives to be achieved over the full period of a Parliament, it is hard to see how the target can be rolled forward in any convincing way; and it can hardly be said that the existence of the target has so far engendered confidence or understanding.

The irony is that the Chancellor will otherwise be able to claim that the Government's deflationary objectives are indeed being achieved—as confirmed by the latest wholesale price figures. It would be satisfactory, then, if he could also define his future aims in terms of a measure which would more readily reflect the actual results of policy.

South Africa must choose

THERE CAN be no doubt of the importance of the all-party Namibia conference which opens in Geneva this morning under the chairmanship of UN Secretary-General Kurt Waldheim. If the conference succeeds, it would set in motion a plan to bring a ceasefire in the guerrilla war in the South African-ruled territory, which would then be followed by elections and legal independence, all before the end of this year.

Warfare

A negotiated settlement of the dispute over Namibia—the former League of Nations mandated territory of South West Africa—would be a prize to be valued almost as highly as last year's settlement in Zimbabwe. For more than half a century, South Africa has ruled Namibia in defiance of world opinion while Pretoria's rule has been violently contested for most of the last decade by the black nationalist movement Swapo. Guerrilla warfare, while not yet of comparable intensity to the last days of Rhodesia, is a growing threat to the economic prosperity and political stability not just of Namibia and neighbouring Angola, which succours Swapo, but potentially of the whole of southern Africa.

The plan to be discussed in Geneva by Swapo and South Africa and the internal Namibian political parties is virtually complete. It has been painstakingly negotiated over nearly three years under the aegis of the five Western members of the Security Council and it has the backing of the key frontline African States whose support was so critical in the Zimbabwe settlement. The detailed programme provides for UN troops to patrol a ceasefire, UN civilians to conduct an election, then complete South African withdrawal and legal independence before the end of 1981. The plan's implementation would signal the end of the colonial era in Africa.

Impartial

Yet, though all but the finest of the fine print on the plan is already settled, there is little optimism that this week's conference (billed as a "pre-implementation" meeting) will actually produce the agreement necessary to set the plan in motion. We will hear a good deal from Geneva about whether or not the UN—which some years ago formally declared Swapo to be the legitimate representatives of the Namibian people—can be impartial in administering a settlement. There will be talk of measures to build confidence between the two mistrustful delegations. But these debates will barely camouflage the one really fundamental question, which is whether there is the political will for a settlement.

The indications are that while Swapo is at last ready to settle, South Africa is not. After Zimbabwe and the massive vote won by guerrilla parties there, Swapo believes and South Africa and its allies in Namibia greatly fear that Swapo would sweep the board. Not surprisingly, sensing victory, Swapo has dropped many of its former objections to the UN plan. It has also been under considerable pressure to do so from Angola, which is suffering continued military incursion and economic disruption from Unita, the South African backed opposition movement.

Backlash

South Africa on the other hand fears a triad of major problems from a Swapo victory. Economically it believes it would lose considerable investments. Politically, it fears a white backlash not just within Namibia but in South Africa itself. Equally important, it fears the fillip that a Swapo victory would undoubtedly give to black opposition within the Republic.

To these considerations must be added the South African Government's belief that it will get a more sympathetic hearing from a Reagan Government in Washington, which might even veto proposed economic sanctions at the UN.

It is to be hoped that South Africa will see, and will continue to be encouraged by Britain and other Western powers to see, that it is in its own as well as Southern Africa's longer-term interests that Namibia be brought to a negotiated and peaceful independence now. The omens are not good, but the hope must be that this week's conference in Geneva will see that breakthrough.

WORLD FOOD SUPPLY GAP

U.S. farmers tighten their grip

By Ian Hargreaves in New York

"THE 1980s will come to be known as the decade in which our nation discovered the importance of agriculture policy, just as in the 1970s we discovered energy policy."

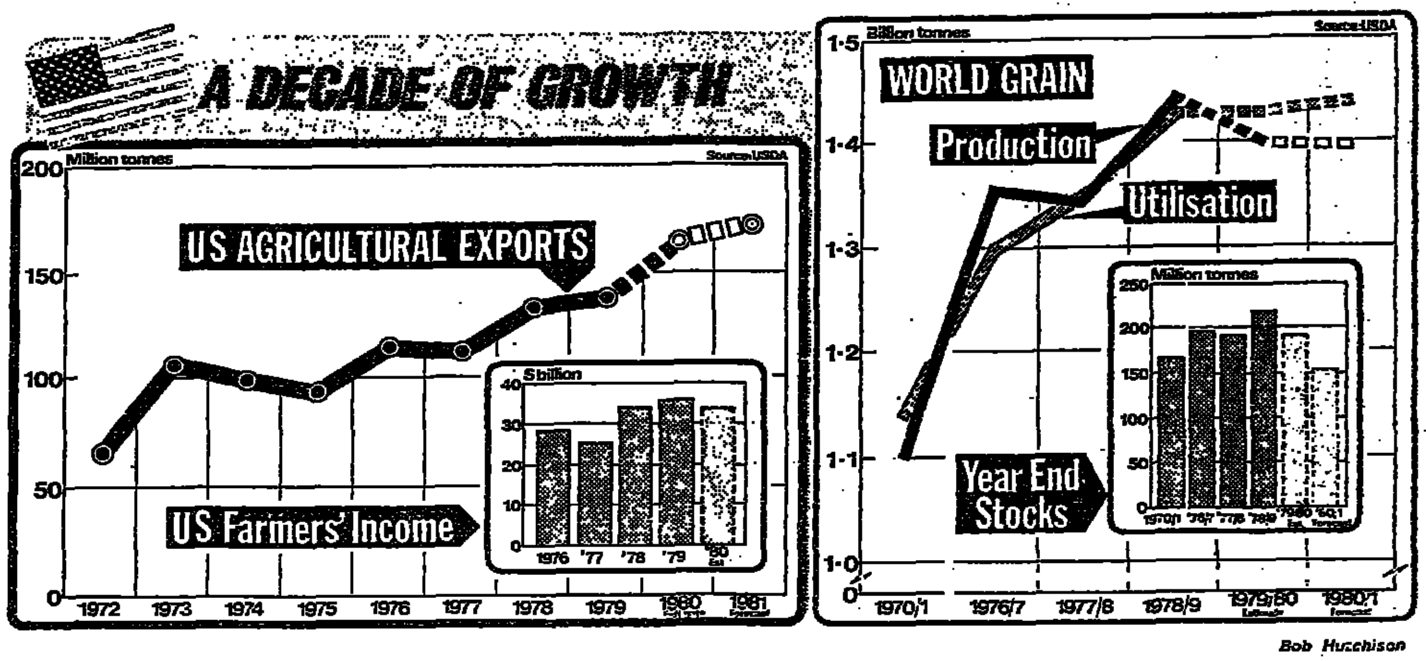
With these words, a senior civil servant at the U.S. Department of Agriculture, Carol Tucker Foreman, gave expression to a thought which is in turn exciting, taxing and frightening the immense bureaucracy of which she is a part.

The thought is that as the U.S. steadily, if unintentionally, tightens its hold on the world food balance, it must learn rapidly how to fit the arcane considerations of domestic farm policy into the broader issues of domestic economic strategy and foreign policy, particularly at a time when world wheat stocks are at their lowest levels since World War Two.

Ms. Foreman was speaking at a recent annual gathering of agriculture economists — academics, farmers, bankers and others from the world of farming. This is the Outlook conference which USDA sponsors every year in an attempt to draw together the impossibly complex subject of the biggest and most important economic activity of the U.S. — food production.

It is an event normally characterised by solid econometric projections of fertiliser costs, farm debt, the latest research on plant disease and a forecast for every aspect of conceivable interest to the agricultural world, including, of course, the weather.

These were all in evidence at this year's Outlook conference, too, but so also was a vein of doomwatch thinking which, when he gets round to studying it, could give Mr.



Bob Hutchison

Doomwatch thinking could give Reagan a restless night

Ronald Reagan, and his newly-appointed Agriculture Secretary, Mr. John Block, a restless night or two in the coming weeks.

The basic argument is devastatingly simple. Between 1950 and 1980, world agricultural production outside the U.S. increased at an annual rate of 2.8 per cent. Consumption grew at 2.85 per cent.

This tiny statistical gap, moreover, has been widening in the past decade as surging oil prices have undermined the progress of the "green revolution," which was based upon widespread availability of cheap oil-based fertilisers. With wheat and coarse grains — the key to the world's nutrition system — non-U.S. consumption has been growing at 26m tons a year, while non-U.S. production grew at 19m tons a year.

The American farmer, fortunately, was there to fill the gap, increasing exports in 12 successive years. Exports totalled 62m tonnes in 1972-73 and 170m tonnes in the current year — a business worth $40bn and a critical factor in controlling the size of a U.S. trade deficit forced wide open by the cost of imported oil. This year the U.S. will account for 46 per cent of the wheat traded in the world's international markets, compared with 35 per cent in 1970. In coarse grains, the picture is even more dramatic, with the U.S. share rising from 43 per cent to 73 per cent.

So, looking perhaps five years ahead, or even only a year or two ahead, the economic models have started to trigger warning lights, with perhaps the following scenario.

Assume that world demand for agricultural products continues to grow at 2.5 per cent to 2.7 per cent annually, as the peoples of the Eastern bloc and the better-off developing countries increase the meat and high quality protein components of their diets. No abatement in oil price inflation is likely, so the rate of growth of farm productivity is likely to continue to decline, perhaps dragging output growth to three-quarters of the rate of the last two decades, according to Mr. Howard Hjort, the USDA chief economist.

Such a scenario would mean that by 1985, the world would be depending upon the U.S. for 15 per cent of its agricultural supplies, compared with 11 per cent now and 2 per cent in the early 1950s, again by Mr. Hjort's calculations.

That, he says, means American farm production growing by 2.8 to 3 per cent a year. "This is certainly within the U.S. agricultural sector's physical capacity through acreage and productivity gains," he notes, but adds: "The economics of production will have to be significantly more favourable in both the short and long run to achieve these goals."

All of which is a cautious, agri-economist way of saying that next year and in several succeding years, the world will be walking a tightrope on food supplies and could be blown off by a single natural disaster—a mis-timed monsoon in India, another drought like last year's in the U.S., or a third bad harvest in succession in the Soviet Union.

"India has had four good crops in a row. Statistically, they're overdue for a bad one. And if only one of these disasters happens, then you will see food prices going through the roof," warns Willard Cochrane, Professor of Agriculture at the University of Minnesota. "The new Administration has a food problem on its doorstep right now."

The problem is not just theoretical, because this year natural disasters did occur. The Russian harvest, floods in other parts of Eastern Europe and the U.S. drought have eaten away world grain stocks.

At the end of this crop season, world grain stocks totalled 151m tonnes or 11 per cent of annual consumption—the lowest ratio since 1972, which was before the oil shock and the fading of the green revolution. At the end of the previous year, the ratio was 13 per cent, a year earlier it was 15 per cent. World wheat stocks are in consequence at their lowest levels since World War Two.

These figures, of course, have already been well digested by the world's commodity markets. Prices of most agricultural commodities have climbed sharply since last May. Wheat is now trading at more than $5 a bushel, up from $3.85 in May, and corn is over $3.80, compared with $2.60 a bushel.

All of which comes as a shock to the normally parochial world of American farm politics, which for three decades has woven itself in knots over the problems of surpluses, devising elaborate price-support and reserve plans to ensure reasonable prices for farmers, and even selling grain to the Russians on occasion.

Domestically, the number one problem is inflation, which Mr. Reagan enters office pledged to tame. But the Department of Agriculture expects food prices in the U.S. to go up by between 10 and 15 per cent this year, compared with 8.7 per cent last year, depending upon harvests. If the world food supply situation pushes inflation to or beyond the upper point in this range, it starts to become serious not only because the numbers will look bad, but because by some calculations, a large number of Americans cannot stand the strain of such increases.

The Government likes to boast that, on average, Americans spend only 16 to 18 per cent of their disposable income on food —much the lowest ratio of any major country in the world. But, according to Ms Foreman, that applies only to families with incomes over $20,000 per year. For the 25m Americans with an annual income (for a family of four) of less than $8,000—technically the poverty line—the ratio is 40 per cent.

There is real concern about potential social tension if food inflation makes this position worse, especially as the Administration will probably also be trying to reduce welfare expenditure, perhaps in part by cutting the availability of food stamps.

This could turn out to be an explosive issue for President Reagan. But there are strong pressures from the other corner from farmers who, as Mr. Hjort argues, have seen their profit margins slide and their level of indebtedness mushroom with the swollen collateral of their land values. In the last decade, farmers' expenses have grown 11.5 per cent a year, and cash income at only 10.5 per cent a year.

No one traditionally believes a farmer who complains about crop prices, but a lot of agricultural economists, at least, are starting to take the complaints seriously. There was hardly a speaker at the Outlook conference who did not endorse the call for higher real food prices.

This debate will be in the spotlight this year as Congress grapples with its quadrennial task of writing a new farm Bill, the portmanteau legislation which will govern the Administration's approach to everything from beekeepers' indemnifications to food aid for the developing world and food stamps.

Although the discussions will be characteristically labyrinthine, the thrust of policy on the commodity programmes—to minimise Government direct involvement—is certain to continue. The goals will be to stimulate output, while ensuring adequate returns for farmers without unjustifiably stoking up inflation—quite a triangle of competing priorities.

But at least the U.S. system is familiar with this triangle. The same cannot be said for the problems and possibilities which loom on the international front in the politics of the food gap.

On the issue of food aid, fiscal frugality has already cut the tonnage of commodities shipped and USDA estimates the volume will drop from 5.7m tons in 1979-80 to 5.2m tons in 1980-81. With more cuts promised, it seems likely that the heritage of the great "Food for Peace" programmes of the 1950s and 1960s will wither. This has consequences for the relationship of the U.S. with the developing world and the North-South dialogue.

Connected with food aid is the question of international food reserves, about which much rhetoric has been pronounced in organisations such

In a hungry world U.S. power is like the oil exporters'

as the United Nations, with little practical consequence. American officials feel a way forward might be to seek a co-ordinated international reserves policy—a food cushion—by involving only the dozen or so major exporters and importers of the world. But even this operation would require a degree of harmony between the U.S. and the Soviet Union not likely in present circumstances.

Mention of the Soviet Union also raises the ghost of last year's grain embargo — an embargo which did not produce any drop in Soviet grain imports, and which probably had little effect on world commodity prices.

President Carter's recent extension of the embargo, and Mr. Reagan's wavering on the use of a weapon he adamantly opposed at the time, have at least as much to do with worries about tight grain supplies as with diplomatic considerations. China, too, has recently become a major long-term contract purchaser of U.S. grain, probably in response to forecasts of shortage, and Mexico continues to run a heavy grain deficit.

Here, eventually is the most fundamental issue of all: will the U.S. allow its international agri-trade policy to be dominated by a response to domestic circumstances restricting exports, or perhaps setting up a series of export price premiums? Again, there are precedents in recent American history, and it has not gone unnoticed by the American people that in a hungry world, the U.S. now possesses in many respects a power similar to that of the individual oil exporters. "A bushel of wheat for a barrel of oil" is a slogan of the 1970s which will be heard again in the 1980s.

"The problem is that we have the tightest world grain balance in history and yet twice in the last three years, we have tried to persuade farmers to set aside (take temporarily out of production) land," says Mr. Richard Crowder, a vice-president with the Pilsbury company in a foretaste of the trade policy battle to come. "Any policy that puts restrictions upon the U.S. Agricultural machine has to be a mistake. If there is price volatility, the consumer must adjust."

Of course, the food shortfall may not occur. The whole world may have wonderful harvests this year. There is a potential extra 120m acres of "marginal" farm land in the U.S. alone—to add to the 300m acres under cultivation. But economists argue that this land cannot be brought into production quickly and that it will not be cultivated at all unless farming economics improve.

The idea of marginal production capacity is naturally one with great appeal to the Reagan team as it seeks to calm the tenor of the debate. Mr. Richard Lyng, the top agriculture man in the Reagan transition team, put in a brief appearance at the Outlook conference to say just that.

Appearing somewhat shocked by the garishness of some of the comments coming from the platform, Mr. Lyng adopted an approach worthy of Mr. Reagan himself, by telling a conciliatory anecdote from his boyhood. All this talk of food crises, he said, reminded him of his grandfather's comment when the price of eggs went from two to five cents. "When eggs got high enough, the roosters begin to lay."

That raised the intended laugh and caused the necessary diversion. But the Reagan Administration will consider itself lucky if the subject remains nothing more than an opportunity for academic speculation and wisecracks.

MEN AND MATTERS

Joseph's coat of many colours

Even if there are to be no U-turns, the troika of ministers which Margaret Thatcher has hitched together at the Department of Industry hardly promises to bring a renewed sense of direction to the Government's industrial policy.

Sir Keith Joseph, whose own course has appeared somewhat erratic and uncertain, will now be flanked by two Ministers of State with vastly differing ideas about which way to go.

Kenneth Baker, the former Heath henchman and industrial consultant, surprisingly roped back into the Government after a period of calculated neglect on the backbenches, is one of the Tory party's most able advocates of state intervention.

Far from atoning for his past political sins, the unrepentent Baker has been among the most outspoken critics on the Treasury select committee of the Government's general economic strategy.

Once sharply described as "another Peter Walker," Baker has remained, from the Prime Minister's point of view, stubbornly popular among his fellow MPs who boosted his influence by electing him chairman of the backbench industry committee.

The political contrast with his fellow newcomer to the Industry Department, former airline pilot Norman Tebbit, could not be more striking. Tebbit was a member of the original "Gang of Four" who organised the Thatcher leadership campaign.

While Baker was establishing his reputation with an urbane fluency, Tebbit emerged as an abrasive Commons "hovver boy," bludgeoning Labour ministers with nasty questions. Michael Foot called him the "most studiously offensive" of MPs, "a semi-house trained polecat."

Tebbit believes passionately in the laissez-faire litany, constantly declaims the virtues of such policies as denationalisation, and demonstrates at the despatch box no mean ability to defend his views in debate.

As to which of the two will exercise the greater practical influence in future, that may depend on the departmental responsibilities allocated to them by Sir Keith when he returns from a U.S. holiday later this week.

But Baker has, I hear, already been assured oversight of information technology, the most important growth industry.

Out of the blue

Sacking people, as Mrs. Thatcher admitted yesterday, is not easy. But while Norman St John Stevas went with a witty parting quip, Graham Todd-Gemmill is suing the Tory Party for unfair dismissal.

Todd-Gemmill lost his job as advertising director for the party's small business bureau last year in the Conservative Central Office reshuffle that has caused a good deal of internal party friction. His case will be heard by an Industrial Tribunal later this month.

Central Office was not prepared to comment on the Todd-Gemmill affair yesterday, though Mrs. Thatcher readily shed a public tear over the departure of the Blessed Norman.

But St. John Stevas—"It's the first recorded sacking by Denis Thatcher"—may want to extract his compensation from the Government in the coming months, with more pointed wisecracks from the backbenches.

Lengthy brief

"Disappointed, but not surprised," was Richard Tarling's response to yesterday's news that the Singapore Court of Appeal dismissed his appeal against conviction on five charges of violating the state's Companies Act. Tarling is now into the fifth year of his legal battle, which relates to his time as Jim Slater's right-hand man in the Far East. He was chairman of Slater Walker Securities associate Haw Par Brothers International, and the nub of the charges against him is that he misrepresented Haw Par's affairs by concealing profits of a Hong Kong subsidiary.

While maintaining his innocence, Tarling decided in 1979 to surrender bail and serve four months in Singapore's Changi gaol rather than sit out a probably lengthy appeals process. Continuing the fight to clear his name, he will now seek leave to appeal to the judicial committee of the Privy Council in London.

His appetite for business remains, however, hearty. In addition to marketing a new synthetic lubricant oil, he is embarking on a private partnership, Peat Investments, which will, he tells me, be "managing trading situations."

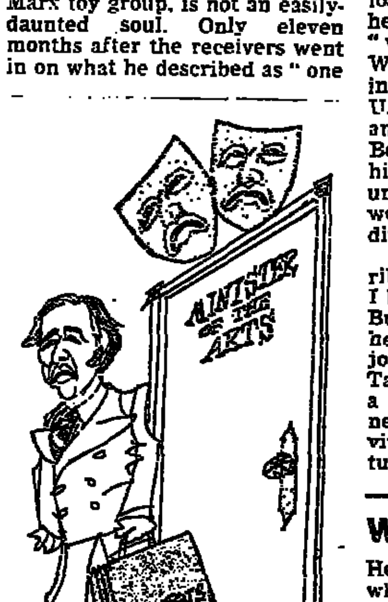
Marxist-leaning

Richard Beecham, who presided as managing director over the collapse of the Dunbee-Combex-Marx toy group, is not an easily-daunted soul. Only eleven months after the receivers went in on what he described as "one of the saddest days of one's life," Beecham is back as chief executive of Tamwade, a private company, announcing that he has snapped up for an undisclosed sum DCM's Swansea-based subsidiary Louis Marx.

Marx's record players, bagatelles, guns and yo-yos join a Tamwade stable which already includes Combex. DCM's nursery toy subsidiary, and Pedigree Dolls and Toys, once a part of DCM's Rovex subsidiary and maker of the ubiquitous Sindy doll. Hornby Hobbies, the other half of Rovex and maker of Hornby and Scalextric toys, is in receivership. But bids are due by February 11, and there can be little doubt that Beecham's eyes are turned keenly in its direction.

It all begins to look, to me at least, a little odd. Re-creating a company which went bust less than a year ago? An important difference, says Beecham. DCM made money on toys in Britain. "It was in the U.S. that you lost your shirt." Tamwade will, he says, "make profits" of a "very satisfactory" order. Which should please its backers, including County Bank, ICFC, U.S. toymaker Mego, and Dutch and South African interests. Beecham has put in £500,000 of his own money, and has a so-far unexercised stock option which would make him its largest individual shareholder.

Beecham says he feels "horrible that DCM went down, and I have to live with that horror." But the important thing now, he says, is to "get on with the job." Within the next few weeks Tamwade is likely to announce a chairman, and, given the necessary inspiration, a more vivid name under which to venture forth.



Writing wrongs

Heard about the bank manager who wrote a novel? It was rejected by a publisher because all the characters were overdrawn.

Observer

William Hall, Shipping Correspondent, reports on Government plans to sell part of British Transport Docks Board

The docks that may not be easy to float

WITHIN THE next year or so the Government plans the first major flotation of a British dock company since Manchester's merchants put up the money to build their own ship canal just over a century ago.

The Government intends to sell to the public a 49 per cent stake in the British Transport Docks Board (BTDB). However, it is unclear whether today's investors will be as eager as their Mancunian forebears to buy shares in what will be known as British Ports.

Many of Britain's ports are in a financial mess. London and Liverpool, the two biggest, are virtually bankrupt, and suffering from a combination of overmanning, chronic overcapacity and a slump in trade. The advent of containers and roll-on/roll-off freight over the past 15 years has revolutionised cargo handling techniques and rendered much of the country's existing port capacity obsolete.

Given this hostile background, the BTDB has performed remarkably well. It is the UK's biggest port owner, operating 19 ports, and it handles more than a fifth of UK trade. It has invested heavily in new facilities and has managed to slim down the workforce at its older ports.

However, since the idea of selling a 49 per cent stake in BTDB was first mooted last March, profits appear to have fallen sharply and a number of structural problems could make any flotation more difficult than first envisaged.

The early years of the BTDB's life coincided with major growth in UK trade. During the period 1963-73, Britain's seaborne trade grew by a quarter and the traffic through the BTDB's 19 ports rose by a third—equivalent to an extra 20m tonnes of cargo. By 1973 BTDB ports were handling 90m tonnes a year. However, this proved to be the peak.

Until the recent setback, BTDB's financial performance has been fairly impressive. In 1971, the year Sir Humphrey Browne took over as chairman, the BTDB lost £600,000 after allowing for additional depreciation. In 1979 the group made a pre-tax profit, on a comparable basis, of £13.6m.

The return on capital employed has been raised from 5.6 per cent to 15.1 per cent in the same period and reserves have risen more than tenfold to £86.2m. Since 1972 the Board has been self-financing and lately has been repaying Government loans ahead of schedule.

With this favourable financial background, the BTDB looked a natural candidate for "privatisation" a year ago. And, the BTDB management, made no secret in private of its wish to be freed from Government interference.

Sir Humphrey had already led a successful campaign to have the National Ports Council abolished, because he felt it interfered needlessly in the BTDB's affairs. De-nationalisation was the next step.

However, he has never forgotten the way Mr. Keith Wickenden's European Ferries managed at the eleventh hour, to frustrate the BTDB's agreed £5¼m bid for the port of Felixstowe in 1975. He does not want European Ferries, or any shipping company for that matter, stepping in and buying the BTDB's plum ports from the Government.

So Sir Humphrey has managed to persuade the Government to sell only a minority stake in the BTDB rather than dispose of the group's ports piecemeal — although there would be plenty of buyers for harbours such as Immingham and Port Talbot.

In addition, the Government has agreed not to interfere in the running of the business in any way. Other nationalised industries must envy the freedom Sir Humphrey has apparently won for his business and its inbuilt protection against unwelcome takeovers. Few public companies enjoy such a privileged position.

Once the current Transport Bill is enacted (probably by this summer) the BTDB will be free of nationalised industry controls. The bill envisages a two-tier structure to get around problems associated with the BTDB's statutory powers. A holding company registered under the Companies Act will take control of the reconstituted BTDB, as if it were a wholly owned subsidiary. The Government will sell securities in the holding company to investors, but will not appoint any directors to the board.

The legislation will give the BTDB considerably greater flexibility. It will be free to move into port related businesses from which it is at present barred. Road haulage, warehousing and ship's agency or chandler activities are all obvious areas.

At present the BTDB is limited to operating its existing 19 ports. Under the planned legislation it will be free to take over other ports without Parliamentary consent. If it had had this flexibility before, it would now be the owner of Felixstowe, which is fast becoming Britain's biggest container port.

While there are no more Felixstowes to be bought, the BTDB may at some stage want to expand. British Rail's half dozen ports would fit in well with the BTDB's ports and possibly the BTDB could step in and help Bristol solve its financial problems although greater competition from Bristol could create problems for the BTDB's own South Wales ports.

Finally, freed from the limitations of the public sector borrowing requirement, the BTDB will be able to raise money in the commercial markets.

The advantages for the BTDB of the Government's plans are fairly evident. What is less obvious is the willingness of investors to buy shares in the company.

Sir Humphrey is confident that this will not be a problem. "Investors will, we think, be impressed by our track record and our potential, but they will need to avoid confusing us with other, less successful, British port authorities."

Clearly, the BTDB's financial performance and strength is much better than that of ports such as London, Liverpool and Bristol. The combined revenues of London and Liverpool, for example, are considerably greater than those of the BTDB yet these two ports lost nearly £10m in 1979 on their existing operations. The BTDB by contrast made a pre-tax profit of £13.6m, including an exceptional credit of £3.3m.

However, the BTDB faces a number of problems which may temper investors' enthusiasm for any planned flotation later this year or early next year.

The most pressing problem is short term profitability. The BTDB takes a conservative line with its profits and unlike most ports sets aside extra depreciation for inflation which means it has a very healthy cash flow. Even so, its profits are under serious pressure.

They rose steadily in the 1970s to a peak of £15m in 1977. Since then they have been falling, and in 1979 they were down to £10.3m (excluding a £3.3m exceptional credit). At this level they are about a fifth below 1976 profit levels though revenues have risen by well over a third in the intervening period.

Although it normally gives some indication of the year's profits in November, the BTDB has stayed silent about 1980 and the signs are that last year's profit figures are going to be sharply lower. All Sir Humphrey will say is that "even in a year like 1980, when the whole country is experiencing a severe recession, we are currently profitable."

Ports are highly labour intensive business and the restrictions of the National Dock Labour Scheme, which in effect means you cannot sack a docker, makes it very difficult for them to shed labour during a recession. Their profits are sensitive to slight changes in trade volumes and preliminary indications for most UK ports are that trade has fallen fairly sharply in 1980.

British Transport Docks

PERFORMANCE IN 1979

	Revenue £m	Pre-tax* profit-(loss) £m	Growth (decrease) since 1970 %	Workforce
Southampton	37.7	(0.6)	(10.3)	3,408
Humber	46.4	4.5	(0.9)	4,246
South Wales	34.6	4.3	(16.7)	2,728
Small ports	12.5	2.1	36.6	909
Total	131.2	10.3†	(6.1)	11,291

* After interest and additional depreciation. † Not including exceptional item.

Roger Taylor

Sir Humphrey Browne

Meanwhile, the outlook for the next few years is little better. According to the latest traffic forecasts of the National Ports Council, there is going to be virtually no growth in Britain's international non-fuel traffic between now and 1983, and in the period to 1988 it is only expected to grow by 14m tonnes to around 130m tonnes.

In the same period there is unlikely to be any growth in fuel traffic because North Sea oil production will reduce the need for imports.

Against this sort of background the BTDB's recent financial objectives look increasingly unrealistic. In 1977 a target rate of return of 20 per cent by 1980 was agreed with the Government. In 1979, the BTDB made 15.1 per cent and is now resigned to not meeting the target in the foreseeable future.

Concern about subsidised competition is a perennial theme of Sir Humphrey and his heir apparent, Mr. Keith Stuart, who is expected to succeed him in November 1982. London, which has received considerable Government support, and Bristol, which will cost the local ratepayers about £11m in the current financial year, are the main offenders. However, Liverpool is also expected to receive Government support in the near future.

Paradoxically, Government support for other ports will make its task of floating off a substantial stake in the BTDB all the more difficult since the subsidised competition has been depressing BTDB earnings.

The South Wales ports, in particular, face a potentially serious structural problem. In the past decade they have performed extremely well but their future success depends very much on what happens to the Welsh steel and coal industries—matters which are out of the BTDB's control. Port Talbot, which was built to handle iron ore imports, has been especially successful.

Although Port Talbot employs very few dockers it makes much more money than Southampton. In 1979 it made a remarkable operating profit of £4.1m on revenues of £5.5m. When it agreed to build the port the BTDB wisely insisted that British Steel give certain financial undertakings about future revenue flows.

However, iron ore imports are now running well below what was originally planned and British Steel is anxious to renegotiate the contract to reflect changed circumstances. Without Port Talbot, the current finanial prosperity of the Welsh ports would look far less impressive.

It would be wrong to make too much of the BTDB's disadvantages. Compared with ports such as London and Liverpool it is much better placed to benefit from an upturn in trade and its real strength lies in the geographical spread of its ports. *If one port is not* doing particularly well it will be cushioned by a more prosperous sister port elsewhere.

Nevertheless, the Government has to convince investors that the BTDB will make a worthwhile investment. Given the board's current problems 1981 is hardly an ideal year to try and float the company.

In addition, the Government's commitment to maintain majority control and not allow the disposal of individual ports reduces BTDB's appeal to investors. This commitment could be enough by itself to undermine the prospect of an early flotation.

Letters to the Editor

Paranoid about speculators

From Mr. C. Meakin

Sir,—Why is the Bank of England (January 5) still paranoid about "speculators"—or is that merely an image bestowed on the Old Lady by outsiders? Either way it still appears to dominate, for example, the Bank's attitudes towards proposals for a financial futures market in London.

All the great markets of London involve selling, and buying, risks. It takes both sorts of customers for the market to function at all: if they buy insurance risks, they are known as Members of Syndicates (very grand); if they buy corporate risks they are known as shareholders (a dying but deeply revered breed); but if they buy commodity risks or, it seems, financial risks, they are condemned as "speculators"—the sort of chaps who Give The City a Bad Name. What humbug!

One can understand why Labour politicians need to play to the gallery, but why on earth does the Bank of England need to do so? The mere mention of "speculators" ought to bring no more than red faces in Threadneedle Street: for was it not the former attempts to rig the Foreign Exchange market (politely but erroneously called a "fixed rate") or to rig the property market (Office Development Permits was the euphemism that time, I think) which caused the politically unpopular "speculation" anyway?

The Bank of England would be much better employed explaining to its political masters what risk is, why some people have to buy it if others wish to sell it, and why the one sure way to avoid rip-offs is to agree an open rulebook which politicians cannot re-write "at a stroke" to suit short-term and usually degenerate political ends.

Christopher Meakin.
26, Desenfans Road, SE21

The IBA and the ITV franchises

From Mr. K. Sykes

Sir,—The dust is now settling after the announcements of the Independent Broadcasting Authority about the shape of independent TV after 1982. There are important lessons to be learned from the selection process: it would be a shame if these were ignored again, as it appears the lessons of 1968 have been.

At its most trivial the process appears alm... farcical. ATV network must change its name to reflect its Midlands franchise: somehow Granada escapes a similar fate, although some might mistake it for a Spanish TV station.

There is a more serious side to the issue. The operation of the IBA appears arbitrary and without financial justification. If the companies must submit their records to the IBA, the record of the IBA itself should be scrutinised. Should Mrs. Thatcher deal with it as she has with so many other Quangos? The evidence is that the IBA exercises authority with little regard for anyone. Chris Dunkley (December 30) suggests that "programmes and programme standards come a very poor second" in the recent deliberations. But it is difficult to see that others have been treated much better than the viewers. Only the employees of Southern and Westward may be well placed: the precedent of TWW's replacement by HTV in 1968 must encourage them to expect maintained employment doing the same jobs in the same studios, but after getting redundancy pay.

Of the main changes those required of Trident TV look particularly inexplicable. The IBA appears to have had second thoughts on the blessing it gave in 1970 for Yorkshire and Tyne Tees to come together provided "that Trident acquires not less than 90 per cent of each class of issued share capitals." The technical factors that brought the companies together (Tyne Tees concern at its own viability as population coverage changed on the introduction of 625-line broadcasts) remain unchanged: only the attitude of the IBA has altered.

The IBA persists in its target for the introduction of ITV 2 in 1982. This service seems to attract enthusiasm from the IBA alone. The attitude of the public is apathetic, and the companies must be concerned that the cost of the service is likely to eliminate their profits in 1982 prior to the start of the broadcasts late that year. Above all the Government must surely be concerned that the service is likely to reduce Exchequer levy and corporation tax receipts by £100m in 1982.

The lessons to be learned concern the IBA. As the administrator of the system it *performs an essential role*. It is in the broader areas, like the introduction of ITV 2 or the awarding of franchises that doubts persist. Perhaps the main failing comes from the sense of drama the IBA tries to build; a rolling franchise subject to regular public monitoring would surely work more in favour of the audience and the companies. Clearly Southern TV must have had failings in the eyes of the IBA to lose its franchise, but should these not have been spelt out earlier so that the audience could have enjoyed the benefit of improved performance?

The lessons must be learned now, for fear of yet another repetition of the arbitrary dispensation of patronage in eight years' time.

Keith Sykes.
28b, Pembridge Crescent, W11.

The business of housing

From the Chairman, Creamline Dairies

Sir,—Mr. C. W. Drew (December 23) is absolutely right when he says that a *well housed* work force is essential to the prosperity of the nation. I would have thought, however, that there is abundant evidence that the post war policy of controlled private rents and subsidised council houses has proved to be an expensive failure, because we still have a housing problem even though the war finished 35 years ago and we have spent thousands of millions on local authority housing. Council houses which were built less than 50 years ago are now either due for demolition or require as much as £6,000 for modernisation and repair.

Owner-occupied houses of the same age, however, are still in an excellent state of repair and very few need anything like £6,000 of either public or private capital to modernise them. Moreover, their owners have a valuable capital asset which gives them pride of ownership and freedom to move to different parts of the country either by choice or necessity.

In my opinion council houses have proved to be bad business for everyone including the tenants, and the sooner they are phased out the better. By all means give help where it is really needed, but help the individual, and abolish blanket subsidies either in the form of tax relief on mortgage interest or artificially low rents from council houses.

W. S. Roe.
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Weymouth Road,
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Consumption of ethylene

From the Managing Director, Aviachem Marketing

Sir,—I read your forecast for 1981 (December 31) with considerable interest but would comment on the section "chemicals."

The Cefic figures for ethylene *give growth rates as follows:*

1980-1979	...	−13%
1981-1980	...	+13.2%
1984-1981	...	+15.8% (over 3 years)

The consumption figures for 1979-1980 are realistic but the figures for 1981 would seem to be unreal. There will certainly be no growth for ethylene consumption in the first three *months and possibly not in the* first half year of 1981. If the Cefic figure is real, this could give a growth rate of perhaps over 26 per cent p.a. over the last six months. Frankly, there is no hope of such a growth.

Further, if a growth of 13.2 per cent for 1981 is real, why is there only a 15.8 per cent growth rate for three years, i.e. less than 5.2 per cent p.a. for the period *1981-1984?*

Based on the situation in W. Europe and the lack of growth in industry in 1981, a more realistic figure would be 10.2m tonnes of ethylene consumed in 1981, giving a growth rate of −3.8 per cent. Even this may be optimistic. If the U.S. dollar decreases in value against the major European currencies, the imports of downstream products will increase in 1981 over 1980.

A. K. Unsworth,
Aviachem Marketing.
1, Court Downs Road,
Beckenham, Kent.

Floating docks

From the Chairman, British Transport Docks Board

Sir,—In Lex (January 5) under the heading "Floating Docks" there was an interesting analysis of British Transport Docks Board in relation to the Government's privatisation scheme. There are however, some points which may have caused confusion and on which clarification is necessary.

Total tonnages of traffic handled at ports are no guide to real levels of activity because they include bulk cargoes, in particular petroleum, for which relatively little service is given by ports and from which revenue is therefore quite low. Excluding the fuel bulk trades, *the Board's tonnages, far from* falling between 1970 and 1979, actually grew by 27½ per cent. Perhaps more significantly, our market share in terms of turnover rose in this period from 19 per cent to 26 per cent.

The references to Southampton in the article are again misleading because of the fall in crude oil tonnages. The important fact about this port is that it has shown a huge increase in general cargo trade and is now the leading deep sea container port, with container movements having increased from 183,000 to 375,000 in the nine-year period.

Port Talbot, described in the article as a "small port," is the largest bulk handling operation in the UK, in 1979 handling 6m tonnes of ore. Immingham was not mentioned but is our most profitable port and earned £5m net after additional depreciation.

It is, of course, true that our profits, having risen from £4m in 1970 to £29m (before interest) were checked in 1979 and are being affected by the serious decline in seaborne trade and by recession generally. The financial strength of BTDB, to which you refer, is particularly important in this situation.

Finally, may I thank you for referring to the subsidisation of our main competitors by taxpayers or ratepayers? It is curious that the current owners of BTDB make life more difficult for their own business. I am sure however, that this bizarre situation will not be allowed to continue indefinitely.

(Sir) Humphrey Browne.
British Transport Docks Board,
Melbury House,
Melbury Terrace, NW1.

Tax burden on industry

From Mr. J. Carrell

Sir,—I am glad to see (Lex January 5) that organisations such as the Institute of Chartered Accountants and the Institute of Taxation are now beginning to cast doubts upon the wisdom of some aspects of the Inland Revenue's consultative document on stock relief.

There are indeed several areas of important detail which need to be reviewed very carefully. I am, however, just as concerned about the fundamental interpretation generally put upon the proposals as being a means by which the tax burden for industry will be reduced by £300m per annum. My initial reaction was that the reverse would be the effect and this has been confirmed by subsequent detailed study of the proposals. Relief for increases in volume of stocks will be removed which will hinder growing businesses. The imposition of a credit restriction under the new proposals will reduce stock relief for most large businesses. Indeed far from saving industry £300m a year as generally supposed, it would not surprise me if, as a result, industry actually has to *pay £300m a year more tax.*

If the proposals are implemented in their present form they will impose a significant new tax burden on growing businesses at a time when, surely, they should be encouraged rather than discouraged. I hope the Government really appreciates the true implications of what is proposed.

John Carrell.
Financial Techniques
(Planning Services),
Hillgate House, Old Bailey,
EC4.

Today's Events

GENERAL

UK: Monthly meeting of National Economic Development Council discusses industrial energy costs, UK competitor country comparisons, and research and development innovation.

Nigerian British Chamber of Commerce discussion on Nigerian Budget 1981. London Chamber of Commerce, 69, Cannon Street, EC4.

Sir Ronald Gardner-Thorpe, *Lord Mayor of London, receives* honorary membership of World Trade Centre Association, Europe House, East Smithfield, E1.

Dr. Robert Runcie, Archbishop of Canterbury, consecrates two new bishops, Bishop Suffragan of Thetford and Bishop Suffragan of Kensington, St. Paul's Cathedral.

Overseas: Mr. David Howell, Secretary for Energy, in Dubai for talks with Mr. Mahdi Tajjir, oil adviser to the Ruler of Dubai *and Ambassador to London.*

OFFICIAL STATISTICS

Department of Energy publishes advance energy statistics for November.

COMPANY MEETINGS

Atlanta, Baltimore and Chicago Regional Investment Trust, 67, Lombard Street, EC, 12.30 pm. Fulcrum Investment Trust, Milburn House, Newcastle-upon-Tyne, 2.30 p.m. Monument Securities, Winchester House, London Wall, E.C.4, 12 noon.

COMPANY RESULTS

Final dividends: Baker's Household Stores (Leeds), McCorquodale, North Midland Construction. **Interim dividends:** Ailsa Investment Trust, E.R.F. Holdings, Hollas Group, Hollis Bros. and ESA Technology Investment Trust. **Interim figures:** Investment Company.

LUNCHTIME MUSIC, London

Holborine Consort recital, St. Olave, Hart Street, EC3, 1.05 pm.

Organ recital by Richard Townend, St. Margaret Lothbury, EC2, 1.10 pm.

Organ recital by Michael Anderson, St. Bride's, Fleet Street, EC4, 1.15 pm.

Portals calls for £8.75m: forecasts profit rise

Portals Holdings, the security papermaking and engineering group, is raising £8.75m by way of a rights issue of £9m in 9¼ per cent convertible unsecured loan stock, 1994-2000, on the basis of £1 nominal for every two ordinary shares held on January 9.

The stock is convertible starting in 1984 at the rate of 25 ordinary shares per £100 nominal or 400p a share at the issue price. This reflects a premium of 5.26 per cent on the closing price of 380p on Monday.

The Bank of England, which holds a 28.8 per cent stake in Portals, is taking up its entitlement to the stock and the remainder has been underwritten by Morgan Grenfell.

Portals, which reported interim 1980 profits ahead 10 per cent to £4.9m, estimates full year profit to the end of December was about £12m compared with £11m. The directors intend to recommend a final dividend of 7½p a share, making 12¼p for the year compared to 11p.

Since the only previous rights issue in May, 1976, which raised £3.9m, Portals has invested £17m in fixed assets and spent a further £4m on acquisitions and other investments. Pre-tax profits have more than doubled from the £5.4m reported in 1975.

The directors note that liquidity is sufficient for present trading and planned growth, including the $15m security papermaking mill project in the U.S. announced last September. Approximately $12m of the cost of the U.S. mill will be financed by funds borrowed under a U.S. Government programme and from the proceeds of an issue of Industrial Revenue Bonds in the U.S.

An EGM has been called for January 23 to approve an increase in authorised share capital. Dealings in the stock begin officially on January 26 and the final day for payment is February 13. The first interest payment will be made on June 30 and thereafter, half-yearly. The conversion periods are from May 15 to June 14 in the years 1984 to 1994.

Brokers to the issue are Rowe and Pitman.

● comment

Following the recent flops of offers of convertible loan stock by London Merchant Securities and Arthur Bell, Portals Holdings appears to have set very generous terms. The company and its advisors reason that the relatively small conversion premium — 5.26 per cent compared to 10.3 per cent on the Bell issue — may in the end cost the company a little more but at least any benefit will rebound to the shareholders. The shares gained 3p yesterday to 383p. Portals' profit performance since the 1976 rights issue has been impressive, especially in the difficult conditions of the past year. Much of the new rights money is specifically earmarked for two uses that should help the group to further profit growth — the new security paper mill in the U.S. and the increased working capital needs of the water treatment plant contracting side. Profit growth will probably be slight in the current year and the shares, which have put on more than 100p in the past year and stand on a fully taxed p/e of nearly 12, may be in for a quiet time. The yield on the indicated dividend in respect of last year is just over 4¼ per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A. G. Barr	3.64	—	3	4.89	4.25
Brown and Tawse ...int.	1.4	April 6	1.4	—	6.4
Halma ...int.	0.62	Feb. 16	0.52	—	1.35
Howden Group ...int.	1.33	—	1.33	—	3.6
Westminster Property	0.2	Mar. 31	Nil	0.2	Nil
Winterbottom T 2nd int.	6.5	Mar. 10	5.2	10	7.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Howden Group level with £3m midway

MARGINALLY ahead with pre-tax profits up from £3.02m to £3.05m for the half-year to October 31, 1980, the Howden Group expects the full-year results to be in line with last year's £7.5m.

Sir Norman Elliott, chairman, says the result was achieved in spite of high interest rates and the effect of increased sterling exchange rates on the group's overseas subsidiaries.

After tax of £1.12m (£1.33m), the attributable profit was £1.93m compared with £1.69m. Earnings per 25p share were 16.6p. The net interim dividend will be maintained at 1.33p—last year's final was 2.27p.

The group is involved in engineering and the design and manufacture of air, gas and fluid handling equipment.

The board reports that on November 21 Howden Group Canada acquired a 90 per cent interest in Heatex Radiators, Toronto, for $450,000. Heatex, now renamed Heatex Howden, designs and manufactures heat exchangers for engine cooling systems.

Sir Francis Tombs joined the board on January 1 as a non-executive director. He has been chairman of the Electricity Council.

● comment

Even though the market knocked 16p off Howden's shares yesterday, leaving them at 120p, they have been very strong during the past six months and the reaction may have been more of a shrug than a thumbs-down. The company's performance is quite good in fact on the back of some long-term contracts in the UK and Canada. One-third of the group profits come from Canada where the turbo generator business is 49 per cent owned by Brown Boveri. Meanwhile Howden anticipates getting a UK contract for gas circulator equipment at Torness and Heysham, worth around £85m over four years. This will keep it going a while as will its small, but useful, defence-related business. Borrowings at the net level could climb up from around £7m last year toward £10m this year, but the balance sheet is healthy and gearing is under 50 per cent. In the full year the group may come out at around £8m pre-tax, suggesting a fully taxed earnings multiple of 9.1, not cheap but still reasonable. If the total net dividend is increased to 4p then the yield stands at an unexciting 4.8 per cent; the dividend will nevertheless be covered around 1¼ times on a CCA basis.

Brown & Tawse interim profits slump by 50%

Profits of Brown and Tawse, the Dundee-based steel and tube stockholder and engineer, fell by over 50 per cent in the six months to end-September, 1980, the pre-tax figure coming through at £1.03m, compared with £2.08m. Sales were £2m lower at £26.5m.

Mr. S. Douglas Rae, the chairman, says demand for steel and tube products was very weak throughout the period and with the recession deepening, there has since been a further decline.

Plant sales and hire also suffered a decrease in profits due to lack of demand in the construction industry.

The chairman adds that with competition intensifying and many costs rising unavoidably, every attention is being given to the reduction of costs and stock levels.

Although it is too early to predict the outcome for the full year, Mr. Douglas Rae says reserves should show a further strengthening, by approximately £6m, with the removal of the possibility of clawback of prior years' tax relief on stock increases under the Government's proposed tax changes.

The interim is being maintained at 1.4p net—last year a total of 6.4p was paid from taxable profits of £4.16m.

The surplus for the half-year was struck after interest charges of £389,000 (£375,000) and depreciation of £342,000 (£287,000), but was subject to tax reduced from £1.08m to £535,000.

Stated earnings per 25p share are down from 9.8p to 4.8p.

Retained profits showed a drop to £349,000 (£852,000) after allowing for dividends which will absorb £146,000 (£144,000).

● comment

Unchanged at 100p yesterday, Brown and Tawse's share price appeared to be anticipating a halving of pre-tax profits in the half-year. One time last year they were standing at 142p. At the beginning of the year stocks were left at an artificially high level after the steel strike. They are still being reduced, while orders may have reached their low point and are expected to bump along the bottom until there is an upturn in the economy. Borrowings — taken mostly in the form of bills—can consequently be run down; by April, B&T should be a net creditor. Labour costs have already been cut by natural wastage; in the longer term there is scope for cost-savings from computerisation and other rationalisation measures. At the present level of demand, B&T is not expecting pre-tax profits greatly in excess of £1.8m. That indicates a prospective fully-taxed p/e of nearly 12, a rating which must look to th strengthening balance-sheet as much as any upturn in trade. A maintained final would yield 9.3 per cent.

Winterbottom Trust to move wholly into energy stocks

BY TIM DICKSON

A MAJOR change in the investment policy of The Winterbottom Trust, a £16m authorised investment trust run by Baillie Gifford, is proposed

Plans to switch the portfolio from a comprehensive geographical and industrial spread of investments to a specialist trust investing exclusively in energy and energy related stocks will be put to shareholders at an EGM on February 3.

At the same time, directors will seek permission to change the company's name to The Winterbottom Energy Trust.

Winterbottom's price finished last night 42p higher at 332p, a level which leaves the shares on an investment discount to net asset value of 14.2 per cent, well below the sector average.

Yesterday, Winterbottom also announced a 53 per cent rise in net assets per share for the year to November 30, 1980, from 269.3p to 411.6p, an da 31 per cent rise in earnings from 7.73p to 10.1p.

Total net assets at market value on November 30 came out at £21.59m (£14.82m) and gross investment income was £967,831 (£900,944). A proposal to split the 25p ordinary shares into 5p ordinary shares will be put to the AGM on April 7.

Winterbottom's portfolio is already heavily weighted towards energy and energy related stocks — the proportion of the company's assets represented by these sectors rose from 15 per cent in 1975 to 50 per cent at the end of last year. So, if accepted, the proposals will simply speed up a process which is well under way.

The directors stress that they are taking a long-term view and say that in recent years, especially over the last two years, they have become "increasingly convinced that energy industries in general, and the oil industry in particular, offer investment prospects which are unlikely to be matched by any other sector."

They point out, however, that the proposed changes will lead to a substantial reductiin in earnings and dividend. The board has declared a second interim dividend of 6.5p per share for the year ended November 30, making a total of 10p net (7.5p) but they forecast a 1980-1981 total of only 3p per share.

"Although this is a considerable reduction from the previous level, we consider it to be justified by the prospect of enhanced capital performance and, from this figure, we expect the growth in the company's dividend to be resumed."

On investment policy, the directors say "many of the smaller exploration and production companies are attractive in terms of their present and potential reserves, and oil service companies should also benefit from a high oil price, because of the stimulus it will provide to new exploration and the more complex methods of extraction now required."

In the next few years the portfolio is likely to be dominated by oil and oil related companies with a heavy emphasis on the U.S. A proportion of the assets may be invested in unquoted stocks and liquidity may from time to time be higher than it has been in the past.

A. G. Barr earns more, pays more

Despite dismal summer weather and the economic recession, profits before tax of A. G. Barr and Company improved marginally from £2.53m to a record £2.57m in the 12 months to October 25, 1980.

Sales for the period rose by over 16 per cent to a peak £28.78m, more than maintaining the company's market position as the largest specialist UK soft drinks manufacturer.

At the interim stage the Scottish-based group, whose brand leaders are Irn-Bru and Tizer, reported taxable profits ahead at £950,000, compared with £934,000.

Commenting on the current year Mr. Robin Barr, chairman and managing director, says that the continuing recession will make it more difficult than normal to achieve expanding turnover and satisfactory margins, but one helpful factor is the effect of the recession in holding down container prices.

Helped by a strong cash position the net total dividend is being raised to 4.8875p (4.25p) with a final of 3.6375p (3p).

Borthwick accounts qualified

THE 1979-80 accounts of Thomas Borthwick and Sons, international meat trader, have been qualified by the auditors, Deloitte Haskins and Sells. For the year ended September 30 last, the group suffered a pre-tax loss of £10.5m, against profit of £7.34m previously.

No provision has been made in the accounts in respect of tax arising on clawback of stock appreciation relief which, on the basis of present legislation, would be expected to crystallise. But in the absence of legislation providing relief, the auditors consider that a provision of £1.5m should have been made.

Also the group's borrowing facilities are currently being renegotiated with its bankers and the auditors point out that financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful negotiation of continuing adequate borrowing facilities.

Dr. W. A. Bullen, the chairman, says the large loss for the year has affected balance-sheet ratios which, in turn, have made some loans callable by the lending bankers. But with the full support of its principal bankers, the group is working towards simplifying its large and complex borrowing arrangements.

Immediately after the year-end, the Board appointed Coopers and Lybrand to examine and report on the structure of the group.

Net borrowings last year fell by over £11m, mainly due to a deliberate policy of reducing the level of working capital, and Dr. Bullen says this reduction should assist in setting up group bank arrangements for 1980-81. Also, a further reduction of over £20m is forecast for this year.

Shareholders' funds at the year-end were down from £43.53m to £32.91m.

Total value of stocks fell £20.7m to £44.3m. As the unit values of beef and lamb at the year-end are broadly in line with last year, this reflects a significant overall reduction in volume of stocks held. In addition, nearly £14m of the total had been committed by firm forward sales.

High interest rates throughout the year meant that despite a reduction in borrowings, finance charges increased £2.7m to £14.1m.

The year's loss arose mainly from problems in the group's international beef marketing, coupled with poor results in food manufacturing, flavours and catering (the latter having now been sold).

But Dr. Bullen says results should be seen in the light of the group's strategy of broadening its business into fields outside international meat trading, which is vital for its long-term development.

Although meat retailing activities contributed profits of £3.24m for the year, this was more than offset by losses elsewhere. These comprised, meat processing £6.12m; food manufacturing and catering £0.97m, flavours and essences £1.21m and ancillary £0.14m. Central expenses and interest accounted for £5.31m.

Proceedings have been commenced against Matthews Holdings, a wholly owned subsidiary of Borthwick, alleging breaches of warranty by Matthews arising from its sale of various companies. Damages claimed amount to some £726,300, but Matthews has brought a counterclaim which will total around £881,500. However, the Borthwick Board is of the opinion that no provision is required.

Regarding current cost accounts, Dr. Bullen comments that it is an onerous task for a multi-national group to produce the information required and he expresses some doubts whether the figures will be of benefit to shareholders commensurate with the cost involved in their production.

Meeting, Butchers' Hall, EC, January 29, noon.

Bond Street closing Thompstone factory

Bond Street Fabrics, the knitted fabric manufacturer, is to cease production at a main centre of its operations—the J. Thompstone factory in Leicester. The closure will result in the loss of about 150 jobs.

The operation in Leicester, said the group, had become unprofitable following the substantial fall in the level of demand for Jersey fabric produced by the company.

"This fall in demand, mainly attributable to the depressed state of the economy in the UK and the adverse effect of the strength of sterling of exports, has resulted in the Leicester operation incurring substantial losses and this situation could not be allowed to continue," said the group.

For the year ended September 30, 1979, the Thompstone factory contributed around 50 per cent of group turnover of £8.14m.

But in the 1979-80 year it is estimated that this percentage fell to about 45.

Erskine House in loss and no interim

As a result of losses of £127,962 in the new Uvasun division, Erskine House Investments suffered a pre-tax deficit of £49,064 for the half year ended September 30, 1980, compared with profit of £162,135 last time. Accordingly, no interim dividend is being recommended.

Last year, when pre-tax profit totalled £46,044, an interim of 1p net was followed by a final of 1.18p per share.

First-half turnover improved from £8.16m to £8.85m. No tax is again payable and loss per 25p share came out at 1.54p (earnings 5.09p).

Director resigns from Warren Plantation

Mr. Konrad Legg has resigned from the board of Warren Plantation Holdings on request from the other directors.

Mr. Legg, a former managing director who controls 5.2 per cent of Warren's shares, has opposed the company's current £2.9m rights issue and last week voted against a successful EGM resolution to increase the authorised capital.

Mr. H. J. Salmon, chairman, said yesterday the other directors found Mr. Legg's action unacceptable.

Mr. Legg said last week that he objected to the rights issue because it implied a change of emphasis in the company's affairs away from plantations.

When the EGM motion was carried by 3.5m votes to 2.5m, Mr. Legg said he regarded the issue as closed. He expected to take up his rights and was willing to remain a director if the other directors so wished.

LONDON TRADED OPTIONS

(Jan. 6 Total contracts 1343)

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	300	112	2	—	—	—	—	408p
BP	390	24	12	46	6	60	—	"
BP	420	5	125	26	—	46	5	"
BP	460	1	34	16	4	30	20	"
BP	500	½	—	7	2	20	1	"
Com. Union	140	7	—	11	1	17	—	141p
Cons. Gold	500	—	—	—	—	74	2	513p
Cons. Gold	538	7	—	30	5	—	—	"
Cons. Gold	588	3	—	14	3	35	—	"
Cons. Gold	688	¼	1	5	1	8	—	"
Courtaulds	60	1	—	4½	—	8	7	54p
GEC	550	55	—	92	1	120	—	601p
GEC	600	15	12	58	—	88	—	"
GEC	650	2	2	33	5	63	—	"
Grand Met.	120	32	25	—	—	—	—	151p
Grand Met.	130	22	25	—	—	—	—	"
Grand Met.	140	12	24	22	—	28	10	"
Grand Met.	160	1½	85	10½	25	18	—	"
Grand Met.	180	½	—	4	—	10	32	"
ICI	300	22	10	40	—	50	—	316p
ICI	330	6	47	23	—	34	—	"
Land Sec.	353	24	31	—	—	—	—	373p
Land Sec.	360	—	—	37	27	49	—	"
Land Sec.	390	3	6	21	—	31	—	"
Marks & Sp.	100	18½	5	25	—	28	—	116p
Marks & Sp.	110	8½	20	17	—	20	—	"
Marks & Sp.	120	2½	2	10½	—	14	10	"
Shell	360	98	3	—	—	—	—	454p
Shell	420	38	10	54	—	—	—	"
Shell	460	10	25	24	45	42	21	"
Shell	500	1½	6	15	5	26	—	"
Totals			509		130		108	
		February		May		August		
BarclaysB'k	460	15	—	28	1	43	—	433p
Imperial Gp.	70	6½	5	7½	22	10½	—	75p
Imperial Gp.	80	1	15	3½	—	5½	—	"
Lasmo	700	67	6	119	—	147	—	717p
Lasmo	750	44	—	87	20	120	—	"
Lonrho	84	17	10	—	—	—	—	96p
Lonrho	90	—	—	17	77	23	5	"
Lonrho	94	9	11	—	—	—	—	"
Lonrho	100	—	—	9½	12	16	2	"
Lonrho	104	4	67	—	—	—	—	"
Lonrho	110	—	—	5½	30	8½	20	"
Lonhro	114	2	55	—	—	—	—	"
Racal Elec.	280	55	66	70	—	—	—	327p
Racal Elec.	300	36	50	55	—	—	—	"
Racal Elec.	330	19	65	37	—	49	—	"
Racal Elec.	360	6	19	24	16	36	—	"
Racal Elec.	390	2½	2	15	—	26	—	"
RTZ	414	27	19	38	—	—	—	416p
Totals			390		178		28	

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UK COMPANY NEWS

Wrighton falls into the red

REDUCED demand, particularly from the construction industry and, to a lesser extent, from the retail trade, has resulted in F. Wrighton and Sons, furniture maker, reporting a pre-tax loss of £180,000 for the six months to September 30, 1980.

In the corresponding period last year the company had a profit of £60,000. Profits for the full year were £206,000 compared with £491,000.

Apart from the reduced demand, the company has been affected by the high levels of interest rates—charge for the half year was £162,000 (£54,000)—and increased borrowings required for the relocation to Nazeing.

The board says the concentration of all trading activities at Nazeing is progressing smoothly and according to plan. The company intends to complete the changeover from the end of February to start the new financial year on a firm base.

It adds that the remainder of the year is unlikely to provide significant changes in the level of demand which will probably remain constant until the recession shows signs of abating.

In addition, while the company is already benefiting from the re-organisation, the full benefit in terms of cost savings and production efficiency will not be realised this year.

There was a tax credit this time of £134,000 (£3,000).

Sales were little changed at £4.7m compared with £4.65m.

comment

Wrighton's trading margins have been squeezed by rising costs and falling demand. Sharply increased interest charges, largely incurred in the course of moving and reorganising production on the new site, have consequently shown up in the interim pre-tax loss of £180,000. Cost savings from the reorganisation are not expected to be realised this year, nor is there any sign of a revival in demand. The key to any forecast of the full year results is not, however, to be found at the trading level. Wrighton is in the process of selling its Walthamstow site, valued in 1979 at £4.8m. If anything like this sum is realised Wrighton is in the process of just on the strength of its interest receipts. The shares were unchanged at 44p, giving a market capitalisation of just £1.98m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Atlas Investment Trust, ERF, Hollas Bros. and ESA, Technology Investment Trust.

Finals—Amatil, Bakers Household Stores (Leeds), McCorquodale, North Midland Construction.

FUTURE DATES

Interims—	
Allied Colloids	Jan. 14
Rosgill	Jan. 12
Scottish, English and European Textiles	Jan. 28
Thorn EMI	Jan. 9
Finals—	
Great Northern Invest. Trust	Jan. 19
Hickson and Welch	Jan. 8
Ley's Foundries & Engineering	Jan. 9
M & G Dual Trust	Jan. 14
Meggitt	Jan. 19
Southvaal	Jan. 22

BIDS AND DEALS

AAH abandons its £5.8m agreed bid for Renwick

AAH, the fuel distribution and road haulage group which last Ocotber bid an agreed £5.8m for Renwick, the motor cruiser manufacture, yesterday abandoned the bid after receiving acceptances representing just 21.12 per cent of the Renwick ordinary shares.

Mr. William Pybus, chairman of AAH, said yesterday that AAH had sold 250,000 shares and now holds around 10 per cent of Renwick. "It is very unlikely that we will sell any more," he said.

Mr. Pybus referred to the holdings of nearly 40 per cent of Renwick shares by Kangra, a Hong Kong group, and Uto Bank of Zurich. He said these holdings had damaged his company's offer and, through AAH advisers County Bank, he had tried to find out who Kangra and Uto were. They had not succeeded in finding out their identity.

"We didn't want to let the bid lapse. Now we'll have to wait for these people to do something. It is extremely unlikely that we will bid again because we don't want to go through this again," said Mr. Pybus. He stressed that relations between AAH and Renwick remained "first-class."

Mr. Pybus pointed out that AAH is still interested in Western Fuel, the distribution business jointly owned by AAH and Renwick. He said this was the original reason for the bid offer.

Mr. John Matthews, a director at County Bank, commented that "it was very frustrating to make an agreed bid and get 10 per cent acceptances from those who were not committed from the start." He said he had telephoned Mr. Jonathan Bekhor of stockbrokers A. J. Bekhor, which had purchased shares in Renwick on behalf of Swiss and Hong Kong nominees.

"We tried to find out yesterday who they were. Mr. Bekhor had his Hong Kong client on the other line but still would not tell us who they are." he said.

Mr. Bekhor was unavailable for comment yesterday but Mr. Hugo Berke, a director of the stockbrokers, said "All I've got to say in the matter is that we have published anything the Takeover Panel or anybody requested under Stock Exchange rules. There is no further comment."

Mr. Ian MacIntosh, of Renwick's adviser Samuel Montagu, said he was following a wait-and-see strategy. He indicated tha tBekhor had said they might be in touch later this week.

Renwick now plans to await further word from Kangra and Uto Bank. Renwick shares yesterday fell 9p to 73p, still above AAH's 65p offer price.

ATTWOOD GARAGES

Mr. Richard Attwood and Mr. Charles Attwood, both directors of Attwood Garages, are not to retain their shareholdings in the company despite a statement to the contrary last month in the formal offer for the company from British Car Auctions.

Their decision not to retain the holding of 37,480 shares was taken "for personal reasons."

Since the BCA offer Mr. T. M. Marriott and Mr. R. A. Smith have been appointed to the board, with Mr. Marriott as chief executive. The statement said that Mr. Marriott's first action in that capacity was to limit the executive duties of the two directors to dealing with shareholder relations.

"In these circumstances Messers Attwood do not wish to retain their shareholdings in Attwood," the statement added.

Lex selling Harvey Crane to Sparrow

By Ray Maughan

In line with its recent programme of major disposals, Lex Service Group has arranged to sell the assets of its Harvey Crane Hire subsidiary to crane hire specialist, G. W. Sparrow and Sons, with effect from March 2.

The consideration will relate to asset values as at February 28. Lex has bought and sold several cranes since the balance sheet for the year to March 31, 1980 was drawn up but the subsidiary's net worth at that point is understood to have been about £3m. Details of its turnover and profitability have not been disclosed.

Harvey Crane Hire was acquired by Lex when it purchased Harvey Fork Truck Hire in 1973, but the group has never held any long term interest in its development.

HANSON TRUST/CMT

Hanson Trust's offer for Central Manufacturing and Trading Group has been accepted in respect of 202,189 CMT shares (0.8 per cent of the equity). The offer is extended to January 26.

Hoped-for counter-bid is ruled out by Record Ridgway chief

RECORD RIDGWAY, the Sheffield-based hand tools company yesterday ruled out the hoped for counter-bid for the company.

Record—which is already the subject of a £4.13m cash bid from Bahco, the Swedish group—announced yesterday that an approach from another party will not lead to an offer.

Mr. Mark Alexander, Ridgway's chief executive, declined to identify the other party but said if was not a UK group. Mr. Alexander said that he did not know the reason for the company's loss of interest. He said all he received was "a courtesy phone call regretting the change of mind."

Record is expected to write to shareholders tomorrow giving its views on the Bahco offer of 37p cash per share. Record has already said that the bid is too low for the Board to recommend acceptance.

This was confirmed by Mr. Alexander yesterday. He said that although the group was happy about getting together with Bahco, it was unhappy about the price."

Mr. Alexander said that there was "no problem in staying alive" as an independent company. But he said that the group would gain strength in combining with another company to combat competition from "people on the other side of the globe."

The shares fell 3p to 38p on the London Stock Exchange yesterday.

BUYER FOUND FOR BAMFORD

A BUYER has been found for the struggling 100-year-old farm machinery firm Bamford, of Uttoxeter.

Negotiations between the firm's liquidators and the prospective buyers who has not yet been named are under way and the company hopes that the contract will be completed by the end of January.

The company says joint liquidator Mr. Steven Adamson has accepted an offer and although the deal is subject to finalised by January 31

The liquidators were called in last year as the company crashed after a cash crisis. Since then the business has continued on a reduced scale.

BASS DISPOSAL

Bass Charrington, of the UK, is selling its 99 per cent interest in Alexis Lichine, Bordeaux wine merchant, to two private buyers.

Lichine, which has annual sales of about FFr 90m (75 per cent abroad) and employs 130 workers, owns two vineyards producing high quality chateaux wines. Most of its exports are to the U.S., where it has a 10-year import contract with a member of the Northen Simon group.

The buyers are Bernard Gans, president of the French Brewers' Association, and the president of the Bordeaux Chateau Wine Producers' Association.

Halma profits ahead in first six months

REFLECTING FULL consolidation of Post Glover, acquired in November 1979, turnover of Halma expanded from £5.44m to £7.12m and taxable profits moved ahead to £678,000 for the half year ended September 27, 1980, compared with £607,000.

Current economic conditions make it difficult, the directors state, to forecast with any precision, the group's profit performance over the immediate future. But they say it appears unlikely that the second half surplus will equal the £838,000 for last year.

The company is actively seeking further opportunities for investment in selected growth areas.

First half profit was struck after interest of £46,000 (£2,000 credit), and subject to tax of £353,000 against £315,000.

Stated earnings per 10p share are 2.19p (1.95p) and the interim dividend is increased to 0.624p (0.52p) net—last year's final payment was 0.83p.

Direct exports from the UK rose by 56 per cent to £1.11m—the increasingly international nature of the market for Castell safety devices led to the formation of Castell Safety International, which controls the division's activities worldwide.

Halma is also involved in fire and environmental control equipment manufacture, and specialised engineering equipment.

British Cinema

CONTINUED PRESSURE on margins and higher expenses have cut pre-tax profits of British Cinematograph Theatres to £13,436 in the six months to July 31, 1980, compared with £50,315.

However, the directors say the group is in a strong financial position and they hope to maintain the annual dividend at 3p net.

Sole trading activity of the group now consists of a chain of retail photographic shops and the directors have already announced plans to change the name of the group to Dollonds Photographic Holdings.

Westminster Property

AS FORESHADOWED almost a year ago, Westminster Property Group is paying a dividend for the first time since May, 1975. With pre-tax profits for the year ended September 30, 1980, up from £125,244 to £238,439, the board has recommended a payment of 0.2p per share, which is to be waived in respect of 47 per cent of the share capital.

In the first six months, taxable profits of this property investment and development group had increased from £50,000 to £188,000.

Turnover for the year rose slightly from £1,251,125 to £1,335,773. Profits were struck after lower interest charges of £519,730 (£540,237) but higher exceptional debits of £48,647 (£28,741).

YEARLINGS

The interest rates for this week's issue of local authority bonds is 13¾ per cent, down ¼ per cent from last week. The bonds are issued at par and are redeemable on January 13, 1982.

NEW LIFE AND BONUSES

Norwich Union UK life and pensions 2% lower

A SLIGHT rise in new annual premiums, from £63m to £64m, and a substantial increase in single premiums from £38m to £59m is reported for 1980 by the Norwich Union Insurance Group on its world-wide life and pensions business.

However, in the UK, which acounts for nearly four-fifths of NU's life and pensions business, new annual premiums fell last year by 2 per cent from £51.6m to £50.6m. The dull mortgage market was a strong factor in individual life assurance annual premiums declining from £20.4m to £19.6m, with mortgage-related business falling from £7.7m to £7.4m.

Group pensions business remained virtually stationary, with annual premiums of £31m against £31.2m in 1979. Thus the NU has held the buoyant growth in pensions achieved over the previous two years. Self-employed pension annual premiums remained unchanged at £2.1m, but individual pension arrangements for executives fell from £6.6m to £5.8m.

Single premium business in the UK moved ahead by two-thirds from £31.9m to £53.1m, with individual life business rising 16 per cent from £18.6m to £21.6m and group pensions business more than doubling from £13.3m to £31.5m. The major factor leading to this rise has been the buoyant annuity market for NU, with preferential rates to the company's existing policyholders.

Single premium self-employed pension payments rose from £3.7m to £4.1m, but single premiums payments to the linked managed fund halved from £14.2m to £7.8m.

New annual premiums on overseas life and pensions business improved in sterling terms by nearly 20 per cent from £11m to £13m. The true underlying growth allowing for currency fluctuations was 24 per cent. Single premiums in sterling terms remained stationary at £6m.

A varied pattern of new life and pensions business for 1980 is reported by the Phoenix Assurance Company. New annual premiums on its world-wide business improved by one-quarter from £17.5m to £22.1m, but single premiums world-wide were 13 per cent lower at £23.4m against £26.9m.

New annual premiums on individual policies in the UK rose by nearly 20 per cent from £5.1m to £6.1m, with premiums on self-employed pension contracts 40 per cent higher at nearly £1m and premiums on executive pension plans 20 per cent higher. Term assurance business was nearly one-third higher.

New annual premiums on group pensions business were up by 50 per cent from £6m to £9m. Group life schemes were particularly buoyant.

The new life and pensions business of Property Growth Assurance, the linked life subsidiary in the group, showed annual premiums up by one-third from £2.9m to £3.9m, and single premiums slightly lower at £18.5m compared with £18.7m in 1979.

There was steady progress overseas for Phoenix, although two territories reported marked reductions in group policy business. This growth was offset in sterling terms by the strength of the pound. New annual premiums were £3.2m against £3.5m, and single premiums £4.6m against £7.8m.

Record levels of new life and pensions business were achieved last year by the United Kingdom Provident Institution, with new annual premiums over 11 per cent higher at £16.2m against £14.5m and single premiums doubling from £4.6m to £9.3m.

The most significant growth areas in 1980 were self-employed contracts, single premium executive pensions and group life assurance. Annual premiums on self-employed plans increased by 20 per cent from £1.5m to £1.8m, while single premiums on self-employed plans more than doubled from £1.59m to £4.29m.

On executive pension contracts annual premiums were marginally lower at £5.78m against £5.96m in 1979, but single premiums were nearly 50 per cent higher at £3.23m against £2.19m. Group pension business, although still comparatively small, had annual premiums doubling from £1.72m to £3.32m and single premiums advancing from £210,000 to £650,000.

New annual premiums on life business remained unchanged at £5.3m. The fall in mortgage-related business arising from the dull house purchase market was compensated by higher sales of ordinary with-profit savings plans, particularly the special 10-year plan Moneymax. This plan was taken out in conjunction with a 10-year temporary annuity to provide guaranteed income and growth plans, and resulted in annuity sales rising to over £1m.

Substantial increase for Yorkshire-General

The Yorkshire-General Life Assurance Company, the life company in the General Accident Group, has announced substantial increases in its reversionary bonus rates on both life and pensions business for the two years to December 31, 1980.

On life policies, the new rate is lifted 90p to £6.50 per cent of the sum assured only. The Yorkshire-General is one of the few major life companies, outside the home service companies, still to operate a simple bonus series, with the bonus rate being applied only to the sum assured.

The terminal bonus rate, paid on death or maturity claims, remains at £1.20 per cent of the sum assured and attaching bonuses for each year in force except the first three up to a maximum of 30 years. This rate was improved last September.

The reversionary bonus rate on self-employed pension plans and single premium group schemes is improved by £1.20p to £8 per cent of the basic benefit and attaching bonuses, while on individual pension arrangements and annual premium group schemes the improvement is 90p to £6.50 per cent compound. The terminal bonus remains at 15 per cent of attaching bonuses.

The company in future will be declaring bonuses annually and the interim rates will be the same as the declared rates. This has no effect on the life bonus, but the equivalent biennial bonus for the pension contracts is £3.30 per cent and £6.70 per cent respectively.

Mr. Norman Graham, general manager and actuary of the company, said that these record bonus rates reflected the strength of the company's reserves and the success of past investment policy.

Record levels of reversionary bonus for 1980 have been declared by the Royal Insurance Company on all its with-profit contracts.

On most ordinary UK with-profit life assurance policies, the compound bonus is lifted by 10p to £4.60 per cent of the sum assured and attaching bonuses, while the superbonus paid on attaching bonuses only is improved by 50p to £3.50 per cent.

Ordinary UK pension policies have the compound bonus also lifted by 10p to £4.70 per cent of the basic pension plus attaching bonuses, and the superbonus is lifted by 50p to £4.50 per cent of attaching bonuses.

The interim bonus rates for 1981 are at a slightly lower level—£4.50 plus £1.50 for life assurances and £4.60 plus £2.30 for pension policies. Royal is one of the few life companies that does not pay terminal bonuses on death or maturity claims.

Mr. Tony Baker, general manager and chief actuary of Royal's life division, reported that the continuing strong investment performance had enabled him to declare these record bonus rates and maintain the impressive history of rising bonus rates since 1963.

Improved rates of terminal bonus have been announced for death and maturity claims in 1981 by the Equitable Life Assurance Society, the oldest mutual life company in the world.

EUROPEAN OPTIONS EXCHANGE

Series		Mar. Vol.	Mar. Last	June Vol.	June Last	Sept. Vol.	Sept. Last	Stock
GM C	$45	20	5	—	—	—	—	$48½
GM C	$50	5	2⅝	20	4½	—	—	"
			Jan.		April		July	
ABN C	F.280	6	13.50	—	—	—	—	F.291
ABN C	F.300	8	2	8	9.70A	—	—	"
ABN C	F.320	55	0.10	—	..	1	5.90	"
AKZO C	F.17.50	40	1.40	67	2.30	57	2.80	F.18.60
AKZO C	F.20	2	0.20	72	1.20	26	1.40	"
AKZO C	F.22.50	—	—	15	0.50	—		"
AKZO C	F.25	—	—	7	0.20	—	—	"
AKZO P	F.17.50	20	0.20	—	—	—	—	"
AKZO P	F.20	—	—	16	2	—	—	"
AKZO P	F.22.50	7	4.40	—	—	—	—	"
AMRO C	F.55	—	—	5	6.50	—	—	F.60.10
AMRO C	F.60	—	—	16	5.50	—	—	"
KODA C	$70	—	—	6	7½	—	—	$73½
KODA C	$80	—	..	1	2½	1	4½	"
HEIN C	F.50	36	4.80	10	6	..	—	F.54.80
HEIN C	F.55	14	1	32	3.30	5	3.80	"
HEIN C	F.60	..	..	17	1	—	—	"
HEIN C	F.65	10	0.10	—	—	—	—	"
HEIN P	F.50	10	0.40	4	1.50	—	—	"
HEIN P	F.55	8	1.70	12	3	—	—	"
HEIN P	F.60	4	7A	—	—	—	—	"
HEIN P	F.65	—	—	2	12	—	..	"
HOOG C	F.15	50	0.30A	—	—	2	1.40	F.14.50
IBM C	$65	1	6	—	—	1	11½	$71
IBM C	$70	22	2	18	5½	—	—	"
IBM C	$75	—	—	2	3¼	12	5⅛	"
IBM P	$70	—	—	15	3¼	—	—	"
IBM P	$75	—	—	—	—	1	6½	"
KLM C	F.55	10	3	—	—	—	—	F.57.50
KLM C	F.60	10	0.40	3	3.60B	—	—	"
KLM P	F.55	4	0.20	—	—	—	—	"
KLM P	F.60	11	3	—	—	3	6	"
KLM P	F.70	24	12.80B	—	—	1	16A	"
NATN C	F.110	4	11.20B	—	—	—	—	F120.90
NATN C	F.120	68	2.10	27	5.20	6	6.20	"
NATN P	F.120	—	—	—	..	5	4	"
PETR C	Fr.5000	4	110	1	300	—	—	Fr.5050
PHIL C	F.15	22	0.80	49	1.80	68	2	F.15.70
PHIL C	F.17.50	—	—	228	0.70	63	1	"
PHIL P	F.17.50	43	1.70	140	2B	—	—	"
POLA C	$30	—	—	—	—	2	2½	$25⅝
PEUG C	Fr.150	—	—	2	15	—	—	F.132
OLIE C	F.170	25	38.50	—	..	—	—	F.207.80
OLIE C	F.180	33	28.80A	11	34	—	—	"
OLIE C	F.190	30	19.80	10	25	—	—	"
OLIE C	F.200	73	9.80A	87	18.70B	2	24.50	"
OLIE C	F.220	149	0.60	55	10.50	45	12.50	"
OLIE C	F.240	—	—	132	5A	1	7.20B	"
OLIE P	F.180	—	—	36	1.40	—	—	"
OLIE P	F.190	12	0.20	28	3	—	—	"
OLIE P	F.200	40	0.70	10	6.70B	4	11.80	"
OLIE P	F.220	16	12.20	15	16.50	—	—	"
OLIE P	F.240	—	—	10	33	—	—	"
UNIL C	F.120	13	6	—	—	1	10	F.126
UNIL C	F.130	20	0.20	30	3.30	—	—	"
UNIL P	F.130	10	4.50A	10	7.50	—	—	"
EXON C	$80	5	2⅝	—	—	—	—	$82
XERO C	$60	1	2½	—	—	—	—	$62½
			Feb.		May		Aug.	
BOEI C	$45	—	—	—	—	2	5⅝	$43¾
BOEI P	$45	10	3	—	—	—	—	"
BASF C	DM.120	10	7	—	—	—	—	DM125.20
OCCI C	$30	—	—	3	7¼	—	—	$34
OCCI C	$35	3	1⅞	—	—	—	—	"
SLUM C	$100	2	20	—	—	—	—	$116
SLUM C	$110	2	11	—	—	—	—	"
SLUM C	$120	19	6¼	2	11½	—	—	"
SLUM C	$130	17	2¼	2	7½	—	—	"
SLY C	$100	1	19	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 2511

A=Asked B=Bid C=Call P=Put

SPAIN

January 2	Price %	+ or −
Banco Bilbao	253	+2
Banco Central	284	+4
Banco Exterior	229	
Banco Hispano	239	+4
Banco Ind Cat.	120	
Banco Madrid	141	
Banco Santander	290	+5
Banco Urquijo	151	+3
Banco Vizcaya	266	+3
Banco Zaragoza	204	
Dragados	82	
Espanola Zinc	47	
Fecsa	57.5	−2
Gal. Preciados	24	+2
Hidrola	71	
Iberduero	59.5	−3
Petroleos	82	+5
Petroliber	75	
Sogefisa	102	
Telefonica	62	+1
Union Elect.	61	−5

MINING NEWS

Homestake sees record profits

BY GEORGE MILLING-STANLEY

AMERICA'S Homestake Mining, the largest gold producer in the U.S., expects to report record profits for 1980, according to Mr. Harry M. Conger, president and chief executive.

Two years ago, the company adopted a policy of increasing its exposure to gold, and the strength of the bullion price over the past year has clearly helped this strategy to pay off.

When the policy was adopted in 1978, Homestake was primarily dependent for its profits on lead and zinc, with gold contributing between 5 and 10 per cent of the total. The company decided to make efforts to lift this proportion to 30 per cent.

For 1980, Homestake expects to report net profits of around $100m (£42m), with more than half of that coming from its gold activities. This compares with net profits of $61.4m for 1979.

This concentration on gold, and the strong price of the metal during most of 1980, has also improved the company's cash position. Homestake closed its books on 1980 with cash and marketable securities totalling some $150m, more than twice the figure at the end of 1979 and almost four times its holding at the close of 1978.

Homestake is to put some of this liquidity to work on furthering its 1978 policy of discovering and developing gold properties. Capital spending during 1981 is expected to be close to $90m, nearly three times the level in 1980.

Between 15 and 20 per cent of this will go into the development of Homestake's major gold discovery at Napa County, 70 miles north-west of Sacramento in California.

The company announced last August that it had discovered around 1m ounces of gold in an area formerly mined for mercury, some 60 miles west of the main California goldfields, and Mr. Conger confirmed yesterday that the deposit is larger than originally thought.

"We have four drills running up there, and you don't do that unless you have something," he said.

There have been suggestions since then that the deposit may contain as much as two or three million ounces of gold. Mr. Conger was not prepared to confirm that, but said that the company saw "no reason why that speculation cannot be borne out."

He added that Homestake expects to be able to fund more of the development of the Napa County deposit, known as the McLaughlin Project, from internal sources, than originally envisaged. "We'll go through another year without borrowing," Mr. Conger said. The company has only about $1m in long-term debt at present.

Homestake has increased its exploration spending significantly in recent years, and in 1981 the company expects to spend about $14m. This is around the same as in 1980, and more than double the amount spent in 1978.

Mr. Conger said that several of the company's gold prospects were encouraging, but would not specify which. Homestake is known to be exploring for gold in the western U.S., and also in Australia and Canada.

Homestake thought in 1978 that its exploration programme might take as much as five years to pay off. To counteract that, it began looking for existing gold-producing properties suitable for acquisition.

Mr. Conger said: "It's a good thing we struck gold at the Napa location much sooner than expected, because acquisition efforts have not been successful. The price for properties went up as the price of gold went up. Luckily, the success at Napa has made the acquisition side of our corporate plan less critical."

Along with the decision to diversify away from its dependence on lead, zinc, silver and uranium towards gold, Homestake decided in 1978 to expand into coal mining or petroleum and natural gas production.

Mr. Conger said that "next year will see us do what we've said we're going to do. We're working on several things, one of which may materialise." He was not prepared to say in which field this would be.

"We're talking to companies in both fields," Mr. Conger said, adding that the expansion would probably take the form of a joint venture rather than an acquisition. Takeovers have become so expensive, he said, because energy resources are so highly priced.

Homestake's investment will amount to between $20m and $40m and could be spread over several years, Mr. Conger said.

With so many ventures coming to fruition, Homestake's liquidity is bound to run down during the coming year. "Our cash position will decrease in 1981," Mr. Conger predicted, "unless we have one hell of a year."

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks

	Dec. 17, 1980 £m	Change on month £m
Eligible liabilities		
UK banks		
London clearing banks	34,200	+ 667
Scottish clearing banks	4,167	+ 152
Northern Ireland banks	1,183	+ 19
Accepting houses	3,277	+ 5
Other	10,339	+ 176
Overseas banks		
American banks	7,223	+ 210
Japanese banks	799	+ 36
Other overseas banks	5,679	+ 145
Consortium banks	588	+ 42
Total eligible liabilities*	67,455	+1,452
Reserve assets		
UK banks		
London clearing banks	4,552	+ 82
Scottish clearing banks	551	+ 16
Northern Ireland banks	173	+ 4
Accepting houses	445	− 9
Other	1,372	− 7
Overseas banks		
American banks	958	− 6
Japanese banks	108	+ 4
Other overseas banks	819	+ 20
Consortium banks	106	+ 8
Total reserve assets	9,084	+ 125
Constitution of total reserve assets		
Balances with Bank of England	485	− 90
Money at call:		
Discount market	4,601	+ 260
Other	295	− 17
UK, Northern Ireland Treasury Bills	1,168	− 133
Other bills:		
Local authority	502	− 32
Commercial	1,251	+ 41
British Government stocks with one year or less to final maturity	782	+ 95
Other	—	—
Total reserve assets	9,084	+ 125
Ratios %		
UK banks		
London clearing banks	13.3	—
Scottish clearing banks	13.2	− 0.1
Northern Ireland banks	14.6	+ 0.1
Accepting houses	13.6	− 0.3
Other	13.3	− 0.1
Overseas banks		
American banks	13.3	− 0.4
Japanese banks	13.5	− 0.2
Other overseas banks	14.4	—
Consortium banks	18.1	+ 0.1
Combined ratio	13.5	− 0.1
	£m	£m
n.b.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	198	− 35
2—Finance houses		
Eligible liabilities	466	− 15
Reserve assets	49.3	+ 0.1
Ratio (%)	10.6	+ 0.4

Special deposits at Dec. 10 were nil (unchanged) for banks and nil (unchanged) for finance houses. * Interest-bearing eligible liabilities were £49,455m (up £888m).

CURRENCIES, MONEY and GOLD

Dollar soft

Dollar continued to weaken as a result of the lower trend in U.S. interest rates, and probably required suport by some European central banks and the Bank of Japan.

The fall in the latest U.S. weekly money supply figures tended to confirm the recent fall in New York interest rates, but the dollar finished above its lowest levels of the day despite the cut in some bank prime lending rates to 19½-20 per cent.

Sterling remained firm, as U.S. rates eased, and also gained slight assistance from the favourable reaction to the latest UK banking and money supply figures.

European currencies were again strong on terms of the dollar, with the French franc at the top of the European Monetary System, followed by the Dutch guilder.

DOLLAR — trade-weighted index (Bank of England calculation) fell to 85.2 from 85.3. The dollar touched a low point of Y198.90 against the Japanese yen, before closing at Y199.60, compared with Y199.25 on Monday. The U.S. currency finished near its lowest level on the day against the Swiss franc at Sw.Fr 1.7450, compared with SwFr 1.7560 previously, and closed at DM 1.9315 against the D-mar, compared with DM 1.9385, after falling to DM 1.9230.

STERLING — trade-weighted index (Bank of England) rose to 79.0 from 78.8, after opening at 79.3 and easing to 79.1 at noon. The pound began at $2.4265-$2.4275, and traded within a range of $2.4150 to $2.4350, before closing at $2.4250-2.4260, a rise of 90 points on the day.

D-MARK — Remaining weak near the bottom of the European Monetary System, reflecting Germany's poor balance of payments position. High U.S. interest rates also caused problems for the D-mark, but the German currency has improved as U.S. rates have declined recently, and also gained some strength from the easing of tension over Poland —The D-mark gained ground against most currencies at the Frankfurt fixing, with the dollar falling to DM 1.9312 from DM 1.9570 without any intervention by the German Bundesbank. The U.S. currency weakened on news of a drop in the money supply figures and lower Euro-dollar interest rates. The pound fel to DM 4.6860 from DM 4.7010, and the French franc to DM 43.16 per 100 francs from DM 43.1750.

ITALIAN LIRA — Weakest member of the EMS, reflecting high inflation and balance of payments deficit — The lira lost ground to the D-mark, French franc and Dutch guilder at the Milan fixing, but improved against the dollar, sterling and Japanese yen. The U.S. currency fell to L919.05 from L928.80 as a result of the decline in U.S. interest rates, while the pound eased to L2,232 from L2,232.80. Lower U.S. interest rates led to the decline of the dollar, despite the continued weakness of Italy's balance of payments position. Latest figures show a current account deficit of L338.4bn in August, compared with a surplus of L1.134 trillion ta the same time in 1979. The deficit for last year is expected to be about L6.5 trillion, against a surplus of L934bn in 1979. In November Italy's net official reserves rose by $799.3m from October to $61.706bn.

JAPANESE YEN — Very firm influenced by Japan's strengthening economic performance, and the fall in U.S. interest rates — The yen continued to improve against the dollar in active Tokyo trading, closing at Y199.60, compared with Y201.40 on Monday. The U.S. currency opened at Y199.00, and the Bank of Japan intervened to buy about $250m during the morning, and probably gave further support to the dollar during the afternoon. In late trading the dollar drifted up, reaching a high of Y199.65 shortly before the end of business.

THE POUND SPOT AND FORWARD

Jan. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.4150-2.4350	2.4250-2.4260	0.85-0.95c dis	−4.45	1.40-1.50dis	−2.39
Canada	2.8730-2.8936	2.8800-2.8820	0.85-1.05c dis	−3.95	1.50-1.70dis	−2.22
Nethlnd.	5.07½-5.12	5.09½-5.10½	3-2c pm	5.88	6½-5¾ pm	4.80
Belgium	75.20-75.75	75.40-75.50	22-12c pm	2.70	38-28 pm	1.75
Denmark	14.39-14.47	14.46-14.47	2⅞-⅝ore pm	0.93	⅞ pm-1⅝dis	−0.34
Ireland	1.2600-1.2665	1.2620-1.2630	0.09p pm-0.04 dis	0.24	0.29-0.11 pm	0.63
W. Ger.	4.66½-4.71	4.68-4.69	2⅞-1⅞pf pm	6.06	6½-5¾ pm	5.02
Portugal	126.50-129.00	126.95-127.45	20c pm-85 dis	−1.65	35pm-130dis	−1.49
Spain	189.10-192.40	191.10-191.35	50c pm-30 dis	0.63	45pm-115dis	−1.44
Italy	2,225-2,235	2,230½-2,232½	4-7 lire dis	−2.96	19-22 dis	−3.67
Norway	12.34-12.46	12.40-12.41	4-1⅞ore pm	2.84	10½-9½ pm	3.12
France	10.81½-10.89	10.84½-10.85½	4-3c pm	3.87	7¼-6¼ pm	2.49
Sweden	10.43-10.55	10.47½-10.49	1½-3ore dis	−2.72	5½-7½ dis	−2.53
Japan	480-487	483-485	2.80-2.15y pm	6.14	6.60-5.75 pm	5.06
Austria	33.00-33.40	33.25-33.30	9-4gro pm	2.34	28-20 pm	2.88
Switz.	4.22-4.26½	4.22¾-4.23¾	3¾-2¾c pm	9.21	9¾-8¾ pm	8.39

Belgian rate is for convertible francs. Financial franc 75.75-75.85. Six-month forward dollar 1.60-1.70c dis. 12-month 1.70-1.90c dis.

THE DOLLAR SPOT AND FORWARD

Jan. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.4150-2.4350	2.4250-2.4260	0.85-0.95c dis	−4.45	1.40-1.50dis	−2.39
Ireland†	1.9165-1.9270	1.9220-1.9250	0.70-0.80c dis	−4.69	1.40-1.55dis	−3.07
Canada	1.1880-1.1897	1.1882-1.1885	0.07-0.02c pm	0.45	0.08-0.03 pm	0.18
Nethlnd.	2.0965-2.1075	2.1055-2.1075	1.75-1.65c pm	9.68	3.75-3.65 pm	7.02
Belgium	31.08-31.18	31.10-31.12	19-17c pm	6.93	33-30 pm	4.04
Denmark	5.9485-5.9680	5.9665-5.9680	3-2½ore pm	5.53	4-3½ pm	2.51
W. Ger.	1.9230-1.9415	1.9310-1.9320	1.62-1.56pf pm	9.88	3.62-3.56 pm	7.43
Portugal	52.55-52.95	52.55-52.75	25c pm-par	2.85	45 pm-15 dis	1.14
Spain	78.40-78.85	78.80-78.85	45-20c pm	4.96	30 pm-20 dis	0.25
Italy	918.50-922.00	921.00-922.00	1½-½ lire pm	1.63	1½-3 dis	−0.98
Norway	5.1125-5.1260	5.1210-5.1220	3.40-2.90ore pm	7.38	7½-7 pm	5.66
France	4.4710-4.4825	4.4710-4.4740	3.05-2.85c pm	8.03	5.60-5.40 pm	4.91
Sweden	4.3100-4.3350	4.3190-4.3240	0.40-0.20ore pm	0.83	par-0.20dis	−0.09
Japan	198.90-200.10	199.55-199.65	1.75-1.60y pm	10.07	3.85-3.70 pm	7.56
Austria	13.70-13.76½	13.70-13.72	9.20-8.60gro pm	7.78	22.25-20.75pm	6.27
Switz.	1.7440-1.7550	1.7445-1.7465	1.97-1.87c pm	13.20	4.75-4.65 pm	10.77

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Jan. 6	Bank of England Index	Morgan Guaranty Changes%
Sterling	79.0	−25.7
U.S. dollar	85.2	−8.6
Canadian dollar	79.3	−18.7
Austrian schilling	148.4	+22.7
Belgian franc	111.8	+11.1
Danish kroner	102.2	−7.2
Deutsche mark	147.5	+40.4
Swiss franc	189.9	+78.0
Guilder	123.2	+17.9
French franc	97.5	−7.6
Lira	50.4	−62.8
Yen	146.1	+43.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

Jan. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	unavail.	0.547125
U.S. $	13	—	1.31501
Canadian $	17.26	—	1.56539
Austria Sch.	6¾	—	18.2130
Belgium F	12	—	41.3408
Danish K	11	—	7.89566
D'mark	7½	—	2.56551
Guilder	8	—	2.78915
French Fr.	9½	—	5.94518
Lira	16½	—	1223.90
Yen	7¼	—	262.314
Norwgn. Kr.	9	—	6.77101
Spanish Pta.	8	—	104.346
Swedish Kr.	10	—	5.70063
Swiss Fr.	3	—	2.32397
Greek Dr'ch.	20	—	Unavail.

OTHER CURRENCIES

Jan. 6	£	$		£ Note Rates
Argentina Peso	4836-4856	1991-2000	Austria	32.90-33.30
Australia Dollar	2.0410-2.0450	0.8410-0.8415	Belgium	75.40-76.20
Brazil Cruzeiro	157.82-158.82	65.17-65.50	Denmark	14.45-14.55
Finland Markka	8.91-8.93	3.6090-3.6900	France	10.81-10.91
Greek Drachma	109.182-112.345	45.50-45.60	Germany	4.67-4.71
Hong Kong Dollar	12.408-12.438	5.1225-5.1265	Italy	2205-2250
Iran Rial	173.20	71.50	Japan	[illegible]
Kuwait Dinar (KD)	0.654-0.658	0.2705-0.2709	Netherlands	5.08-5.12
Luxembourg Fr.	75.40-75.50	31.10-31.12	Norway	[illegible]
Malaysia Dollar	5.3450-5.3560	2.2070-2.2090	Portugal	[illegible]
New Zealand Dlr.	2.5029-2.5075	1.0310-1.0330	Spain	[illegible]
Saudi Arab. Riyal	8.03-8.13	3.3300-3.3315	Sweden	10.40-10.50
Singapore Dollar	5.0260-5.0370	2.0750-2.0770	Switzerland	[illegible]
Sth. African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	8.89-8.99	3.6710-3.6730	Yugoslavia	[illegible]

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.3314	+3.87	+1.20	±1.53
Danish Krone	7.72336	7.90474	+2.35	−0.32	±1.64
German D-Mark	2.48208	2.56425	+3.31	+0.64	±1.125
French Franc	5.84700	5.93854	+1.57	−1.10	±1.3557
Dutch Guilder	2.74362	2.79116	+1.73	−0.94	±1.512
Irish Punt	0.668201	0.691054	+3.42	+0.75	±1.668
Italian Lira	1157.79	1221.50	+5.53	+2.96	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 6	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.426	4.685	484.0	10.853	4.233	5.100	2232	2.881	75.45
U.S. Dollar	0.412	1.	1.932	199.5	4.474	1.745	2.103	920.0	1.188	31.11
Deutschemark	0.213	0.518	1.	103.3	2.316	0.903	1.089	476.3	0.615	16.10
Japanese Yen 1,000	2.066	5.011	9.680	1000.	22.42	8.745	10.54	4611.	5.952	155.9
French Franc 10	0.921	2.235	4.317	446.0	10.	3.900	4.699	2056.	2.655	69.52
Swiss Franc	0.236	0.573	1.107	114.4	2.564	1.	1.205	527.2	0.681	17.83
Dutch Guilder	0.196	0.476	0.919	94.90	2.128	0.830	1.	437.6	0.565	14.79
Italian Lira 1,000	0.448	1.087	2.099	216.9	4.863	1.897	2.285	1000.	1.291	33.81
Canadian Dollar	0.347	0.842	1.626	168.0	3.767	1.469	1.770	774.6	1.	26.19
Belgian Franc 100	1.325	3.215	6.209	641.5	14.38	5.610	6.759	2958.	3.818	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JANUARY 6)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 11/16	offer 16 15/16	bid 15 11/16	offer 15 13/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13—13½	19½-19¾	17-18	8⅞-8½	5-5¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	13⅝-13⅞	19½-19¾	17-18	8½-8⅞	5-5¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	14-14	18⅛-18⅜	17¼-17⅝	9-9⅛	5-5¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	14-14	16¼-16½	16¼-16½	9-9	5½-5⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	14-14⅛	15⅛-15½	15-15½	9-9	5-5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	13⅞-14⅛	14½-15	14½-14⅞	—	5-5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore) one-month 18 3/16-18 5/16 per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent. Long-term European two years 14-14¼ per cent; three years 13⅞-14⅛ per cent; [illegible] nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. The following nominal rates were quoted for London dollar certificates of deposit: [illegible] months 15.10-15.20 per cent, one year 14.10-14.20 per cent.

INTERNATIONAL MONEY MARKET

German rates firm

Call money remained around the 9.1 per cent level in Frankfurt yesterday, as banks sought funds at the start of the new year to help reduce borrowings under the lombard facility. At the end of 1980 loans outstanding through this facility had stood at DM 7.7bn, which by last Friday had been reduced to DM 4.7bn. The market has been helped to some extent by the latest injection of liquidity by the Bundesbank. This has involved some DM 9.9bn set against maturities of DM 6.2bn under a previous scheme, with both amounts set against pensionable securities. However, the net increase in liquidity has only managed to keep short term rates stable for the time being, and the demand for short term credit continues. But banks remain confident of fulfilling their minimum reserve requirements this month, with DM 53.8bn on deposit with the Bundesbank at the moment against a probable average requirement of around DM 47bn.

In Amsterdam the Dutch Central Bank announced a 9½ per cent special advance facility for January 8-21 in order to bolster market liquidity which is usually scarce at this time of year due partly to tax payments. The present credit facility amounting to Fl 2.66bn at 9½ per cent matures today. In the money market call money was quoted at 8⅞-8¾ per cent compared with 8¾-9 per cent on Monday, while longer term rates were slightly easier overall.

MONEY RATES

NEW YORK

Prime Rate	19½-21½
Fed. Fund	19¾-20
Treasury Bills (13-week)	13.52
Treasury Bills (26-week)	13.12

GERMANY

Discount Rate	7.5
Overnight Rate	9.10
One month	9.375
Three months	9.50
Six months	9.45

FRANCE

Discount Rate	9.5
Overnight Rate	10.6875
One month	10.9375
Three months	11.50
Six months	12.1875

JAPAN

Discount Rate	7.25
Call (Unconditional)	9.1875
Bills Discount (three-month)	9.40625

UK MONEY MARKET

Full supply

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Day to day credit was in good supply in the London money market yesterday, and the authorities took out the surplus by selling a large number of Treasury bills both to discount houses and banks. Houses were paying up to 13½ per cent for secured call loans at the start, with later balances taken down to 10½ per cent. The market was faced iwth a small excess of revenue transfers to the Exchequer over Government disbursements, but this was more than outweighed by a small decrease in the note circulation, together with a small number of Treasury bills maturing outside of the official hands. In addition banks brought forward balances [illegible] moderate way above target.

In the interbank market overnight loans opened at 13-13½ per cent and eased to 12½-13 per cent where they stayed for most of the morning. Later in the day rates fell to 9-10 per cent but closing balances were taken in the region of 14 per cent.

GOLD

Slight rise

Gold rose $2 to $600-603 in fairly quiet London bullion trading yesterday. It opened at $597-600, the low for the day, and was fixed at $599.25 in the morning and afternoon. [illegible] touched a high point of $600-603, following news of a further reduction in U.S. bank prime lending rates.

In Paris the 12½ kilo gold bar was fixed at FFr 92,400 per kilo ([illegible] per ounce) in the afternoon, compared with FFr [illegible] ([illegible]) in the morning, and FFr 91,900 ($631.96) Monday afternoon.

In Frankfurt gold finished at $598-601, against $597-600.

In Zurich gold closed at $598-601, compared with $596-599.

Jan. 6		
Gold Bullion (fine ounce)		
Close	$600-603	[illegible]
Opening	$597-600	[illegible]
Morning fixing	$599.25	[illegible]
Afternoon fixing	$599.25	[illegible]
Gold Coins		
Krugerrand	[illegible]	[illegible]
1/2 Krugerrand	[illegible]	[illegible]
1/4 Krugerrand	[illegible]	[illegible]
1/10 Krugerrand	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
King Sovereigns	[illegible]	[illegible]
Victoria Sovs.	[illegible]	[illegible]
French 20s	[illegible]	[illegible]
50 pesos Mexico	[illegible]	[illegible]
100 Cor. Austria	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]

LONDON MONEY RATES

Jan. 6 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	9-14	12⅝-12¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	—	—	14-14¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or	—	—	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	—	13½-13⅝	14¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	14 1/16-14 3/16	14⅛-14½	14⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	14 1/16-14 3/16	14⅜-14½	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	14⅜-14⅝	14 1/16-14½	14⅜-14½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	13 11/16-13⅝	13⅞-14⅛	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	13½-13⅝	13⅝-14	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	13½-13¼	13⅝-13⅞	13⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	—	13⅝-13⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13⅞-13¾ per cent; [illegible] ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14¼ per cent; [illegible]

Approximate selling rate for one-month Treasury bills [illegible]; [illegible] 12⅞ per cent. Approximate selling rate for one-month bank bills [illegible]; [illegible] months 13 5/16-13 11/16 per cent; one-month trade bills [illegible] cent.

Finance Houses Base Rates (published by the Finance Houses Association): [illegible] Clearing Bank Deposit Rates for sums at seven days' notice [illegible] per cent. Treasury Bills: Average tender rates [illegible]

London Clearing Banks' balances

as at December 10, 1980

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK banking sector	5,525		−206	
UK private sector	40,087		+391	
UK public sector	523		− 78	
Overseas residents	4,575		+111	
Certificates of deposit	2,392		+ 99	
		53,102		+317
of which: Sight		18,617		+419
Time (inc. CD's)		34,485		−103
Foreign currency deposits:				
UK banking sector	7,427		− 87	
Other UK residents	1,500		+ 50	
Overseas residents	18,793		+218	
Certificates of deposit	1,574		+ 26	
		29,294		+207
Total deposits		82,396		+523
Other liabilities*		12,603		+ 69
TOTAL LIABILITIES		94,999		+593
ASSETS				
Sterling				
Cash and balances with Bank of England		1,439		+ 13
Market loans:				
Discount market	2,653		+101	
UK banks	9,228		−353	
Certificates of deposit	1,847		+229	
Local authorities	1,111		+ 20	
Other	1,100		+ 82	
		15,938		+ 78
Bills:				
Treasury bills	635		− 66	
Other bills	1,378		− 37	
		2,013		−103
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,515		+817	
Other	1,904		+ 1	
		4,419		+817
Advances:				
UK private sector	29,833		−143	
UK public sector	237		− 52	
Overseas residents	3,190		− 57	
		33,259		−251
Other sterling assets*		7,153		− 64
Foreign currencies				
Market loans:				
UK banks and discount market	7,093		−269	
Certificates of deposit	268		+ 90	
Other	12,283		+195	
		19,644		+ 16
Bills		35		+ 1
Advances:				
UK private sector	2,141		− 90	
UK public sector	756		− 7	
Overseas residents	6,396		+171	
		9,294		+ 74
Other foreign currency assets*		1,804		+ 12
TOTAL ASSETS		94,999		+593
Acceptances		852		− 21

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	82,396	+523	23,729	+490	14,690	+ 55	17,368	+371	24,366	−412	2,242	+ 20
ASSETS												
Cash and balances with Bank of England	1,439	+ 13	420	− 29	244	− 37	349	+ 69	389	+ 15	37	− 5
Market loans:												
UK banks and discount market	18,973	−521	5,581	+ 74	2,960	− 71	2,813	+ 39	7,142	−560	478	− 4
Other	16,609	+615	5,042	+ 61	4,167	+133	2,777	+159	4,237	+260	386	+ 2
Bills	2,048	−102	441	− 35	258	− 43	577	− 7	698	− 15	74	− 3
British Government stocks	2,515	+817	772	+284	315	+121	786	+203	569	+185	74	+ 24
Advances	42,553	−177	12,241	+ 23	7,361	+51	9,803	− 35	11,881	−222	1,266	+ 6

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
Eligible liabilities	34,010	+654	10,277	+244	5,456	+136	8,312	+251	8,811	+ 15	1,155	+ 7
Reserve assets	4,524	+ 77	1,321	− 4	760	+ 51	1,097	+ 29	1,194	+ 4	152	− 2
Reserve ratio (%)	13.3	—	12.8	− 0.4	13.9	+ 0.6	13.2	—	13.6	+ 0.1	13.2	− 0.2

هكذا من الأصل

Merrill Lynch International names new banking chiefs

BY PETER MONTAGNON

MERRILL LYNCH International has announced two senior appointments to fill the gaps left by Mr. David Montagu and Mr. John Craven, who resigned from the group at the end of last month.

As expected, the appointees are drawn from the ranks of those with long-standing connections with the international banking and investment group.

Mr. Donald C. Roth is rejoining Merrill Lynch from Chase Manhattan to become managing director responsible for investment banking business. He had been with Merrill Lynch for 12 years up to 1977 when he left to work with Chase in Hong Kong and London.

Mr. Robert W. Williamson is appointed managing director responsible for the banking operations of Merrill Lynch International. He joined Merrill Lynch International Bank in London as an executive director in 1977 and in 1979 was made a managing director of the bank.

Both men will report to Mr. Arthur Urcioli, president of Merrill Lynch International.

The decision by Merrill Lynch to draw on the talents of two men already familiar with its business serves to underline the failure of its attempt to develop a higher profile in international banking by importing outsiders, in the form of Mr. Montagu and Mr. Craven, to key positions in the bank.

These two men had joined Merrill Lynch International from Orion Bank and Credit Suisse First Boston less than a year before their abrupt departure.

Although their departure was described as amicable, it is understood that they had found it difficult to work for a firm that imposed strict procedures for reporting to the head office. They felt this detracted from the free hand they were seeking to develop new business for the bank.

Slump in Braniff traffic

BY OUR NEW YORK STAFF

BRANIFF INTERNATIONAL, the troubled Texas-based Airline which last week parted company with its chairman and which is pursuing a possible merger with Eastern Airlines, yesterday reported another sharp drop in passenger traffic.

But the savage cutbacks in service implemented by the airline in the past year have begun to show results in that the airline's load factor (the percentage of seats available actually sold) increased in December to 63 per cent, compared with 52.5 per cent in the same month of 1979.

Braniff's revenue passenger miles were 20 per cent lower in December than in the same month a year earlier, but the number of seat miles offered was down even more sharply, by almost 35 per cent.

For the year, revenue passenger miles were 11.3 per cent lower and available seat miles 14.6 per cent lower. There was also a steep drop in the airline's cargo traffic.

Although other airlines have also been suffering from the impact of the spring recession and higher fuel costs, none has been so badly affected as Braniff.

Finance head selected by GM

By Ian Hargreaves in New York

GENERAL MOTORS has selected its new financial chief and, if recent history is an accurate guide, its next chairman, in naming Mr. Alan Smith as executive vice-president in charge of finance.

The appointment of Mr. Smith, 49, is part of a series of top management selections by the world's largest motor company after the choice last September of Mr. Roger Smith as GM's chairman.

Mr. Alan Smith joined GM in 1956 after university at Dartmouth College, New Hampshire, one of the top "Ivy League" universities of the U.S., and a spell in the navy.

He began in the treasurer's office in New York and progressed through the financial ranks. In late 1978 he was given the career-broadening task of heading GM's large Canadian business.

He now becomes a director on the GM board and a member of the company's two top policy making committees—for executive matters and finance.

Mr. Roger Smith can expect to remain chairman of GM until the normal retirement age of 65, by which time Mr. Alan Smith would still have five years to hold the chairman's post.

Mr. Thomas Murphy, the GM chairman who retired at the end of last year, had also advanced on the financial side of the business. Traditionally, GM appoints a manager with predominantly operations and product experience to the number two job of company president. Mr. James McDonald has just taken on that role.

Other appointments announced by GM make Mr. James Rinehart, 50, head of GM Canada, after a period as general manager of the Packard Electric division.

Mr. W. Blair Thompson, 52, takes over as general manager of Packard.

John Makinson looks at the performance of overseas portfolio investment

Foreign gains for shrewd investors

BRITISH institutions have been quick to take advantage of the removals of exchange controls which began in mid-1979. In the following 15 months portfolio investment overseas by UK residents totalled £2.25bn ($5.4bn) much of which was channelled into foreign equity markets.

Yet to judge from the accompanying figures from Capital International the Swiss-based research organisation institutions might have done better to stay at home during their first full year of exchange freedom. The UK stock market performed better than most in 1980 and investors will have seen their returns from foreign markets whittled away by the strong pound. Only Hong Kong and Australia, it seems, will have trumped the UK market in sterling terms.

This impression has not, however, been supported by experience. The City's computers have not yet printed out detailed statements for 1980 but it is already clear that most institutions did better abroad last year than Capital International figures would suggest.

To a degree, institutions have made a virtue out of necessity. The U.S. and Japan are the world's largest markets by a wide margin and have therefore attracted funds because their securities are plentiful and can be readily traded. As it happens, they have also performed much better than the less liquid European markets.

Furthermore, a prime consideration in overseas diversification has been the acquisition of shares in sectors not readily available within the UK. This has led the institutions to examine, for example, resource stocks, high-technology companies and service industries, such as health care, which performed well above average in 1980.

Institutions may have benefited from an element of luck in their selection of equities, but they also proved canny investors. Figures from the U.S. and Japan, which absorbed the lion's share of the new money, indicate not only the scale of the buying but also a pattern of shrewd timing.

In the first three months of last year, for example, London was only a modest buyer of Japanese equities, with net purchases totalling £356m. Over the period, the yen depreciated from around 240 to about 250 against the dollar. The smallest net purchases of the year were recorded in March, when the market and the yen fell sharply. By April, the stock market was turning up again and the currency started its steady appreciation against all other major currencies, including sterling.

Around this time the momentum of net stock market purchases built up rapidly, increasing from $564m in the second quarter to almost $2bn in the third. In October and November, the buying activity slowed as the rise in the stock market

GROSS RETURN ON EQUITY INVESTMENT IN 1980

Total percentage return including reinvested dividends

	Local currency	Sterling
UK	+31.9	+31.9
U.S.	+30.0	+21.4
Japan	+10.7	+21.6
W. Germany	+ 1.7	−17.1
France	+10.6	− 8.6
Australia	+45.0	+41.2
Hong Kong	+79.7	+61.2
Canada	+24.0	+14.4

Tax credits on dividends included when available to foreign investors.
Source: Capital International

was checked and the yen stabilised. It is hard to draw precise conclusions from the figures, as much of the buying undoubtedy emanated from Middle East investors, using London as a post box. They do, however, give an indication of institutional activity, which is borne out by the experience of individual funds.

Fleming's Japanese Exempt Fund, for example, finished 1979 with a value of around £11m. A year later, it had grown to £70m, with the bulk of the money flowing in during the summer months when the fund's managers were faced with occasional digestion problems. The offer price of a unit increased by 26.5 per cent over the year, a considerably better performance than the sterling-adjusted Capital International index.

The attraction of the Japanese market over the year rested partly on economic fundamentals. The growing economy and appreciating currency were obvious carrots for institutional investors. At the same time, however, funds were determined for more technical reasons to increase the weight given to Japan in their portfolios. The Tokyo market accounts for roughly 15 per cent of Capital International's world index, yet UK investors had found their access to it restricted by exchange controls.

As a result, money was diverted not only from the UK but also from other foreign markets, notably the U.S. Figures from the U.S. Treasury show that while UK investors traded more actively in New York than in Tokyo their net purchases were far smaller. In the first nine months of last year they quadrupled from 1979 levels to $1.8bn but were still below the net purchases made in Tokyo during the third quarter alone.

The institutions were clearly wrong-footed by the strength of sterling last year, but have nevertheless emerged without bloody noses from the first full year of exchange freedom. Fund managers estimate that the average pension fund may now have about 10 per cent of its equity investments overseas, roughly double the level of two years ago.

Most funds are reaching the limits which they have imposed on foreign equity investments. They are concerned about matching their assets to heavy sterling liabilities and will now move more slowly to boost the overseas content of their portfolios.

The Prudential, for example, set itself a target of holding about 10 per cent of its equity portfolio overseas by the end of last year and came close with a figure of 9 to 10 per cent. Like many other managers, it bought heavily in Japan, diverting some money from the U.S.

Unit trusts, too, are approaching the limits which they see as acceptable. Henderson reduced the UK content of its international unit trusts from 40 per cent to 15 per cent last year and does not envisage going much further in that direction. After last year's good performance on equities, however, a reversal in the trend of sterling might just change everyone's minds.

Hunt Brothers in new $50m mining deal

By Our New York Staff

THE HUNT brothers of Dallas further increased their interests in Canadian silver mining yesterday with a $55m deal with Cadillac Explorations, a Canadian mining concern.

The latest deal comes barely 24 hours after the Hunt brothers agreed to pay $35m for a stake in a number of mining claims and leases, including silver, in Northwest Canada.

Cadillac confirmed yesterday it had entered an agreement with the Hunt brothers to sell to their Procan Exploration Company a 40 per cent working interest in Cadillac's mining claims and a 40 per cent net royalty interest in its mining leases in the Nahanni mining district of the North West territories.

The Canadian exploration company also said it had agreed that $40m would be spent to construct a mill with a capacity for milling ores at a rate of 1,000 short tons a day.

More straight dollar bonds launched

By Our Euromarkets Staff

TWO STRAIGHT dollar bonds were launched last night bringing the total to six issues worth $440m in the last 10 trading days. This is the first time the market for new fixed interest issues has been genuinely open since October last year.

Activity in the secondary market increased as the New York market continued to move higher. Dealers noted strong buying interest prompted by the downward trend of U.S. interest rates. Eurobond prices gained ¾ points on average.

The European Investment Bank has launched a $100m six-year straight issue through Credit Commercial de France. The bonds carry a coupon of 12¾ per cent and are priced at par.

Citicorp International Bank has arranged a $40m nine-year issue with a coupon of 12½ per cent for Euratom. The issue has been priced at par and a sinking fund gives an average life of about six years.

Both the major Continental markets improved yesterday, mainly as a result of lower short term interest rates.

The secondary market for Deutsche Mark bonds was better by ½ points on average on the back of a strong domestic market and the decline in U.S. interest rates.

Meanwhile, in the Swiss franc sector, Union Bank of Switzerland has arranged a SwFr 100m ten-year public issue for Trans-Canada Pipeline. The bonds carry a coupon of 5¼ per cent and are priced at par.

● Cresvale International, a specialist in trading Eurodollar convertible bonds, announced pre-tax profits of £149,945 in its first 13 months of operation to June 30, 1980. Turnover was £157m. Mr. David Killebrew, managing director, said revenues for the six months to December 31, 1980, were comfortably ahead of the previous year.

U.S. QUARTERLIES

AMERICAN HOIST

	1980	1979
Fourth quarter	$	$
Revenue	105.5m	111 1m
Net profits	4.71m	5.51m
Net per share	0.78	0 96
Year		
Revenue	538.6m	508 6m
Net profits	20.5m	20.7m
Net per share	3.41	3.60

AC NIELSEN

	1980	1979
First quarter	$	$
Revenue	135.5m	114m
Net profits	7.44m	7 53m
Net per share	0.68	0.67

Northern Telecom restructures

BY PAUL BETTS IN NEW YORK

NORTHERN TELECOM, the principal supplier of telecommunications equipment in Canada and the second largest in North America, yesterday announced a major restructuring of its U.S. marketing and service operations.

The company, which has seen its profitability declining in part as a result of continuing cost of its takeover of Data 100 and Sycor, two office equipment concerns said the plan included the consolidation of its U.S. operations into one company, Northern Telecom Inc.

The move is aimed at improving operating efficiencies in the U.S. market and enabling the company to present a unified and more consistent profile to its customers and suppliers in the U.S. market, Northern Telecom said.

A number of companies will be merged, including Northern Telecom Industries, the Canadian concern's holding company in the U.S., and Northern Telecom Systems Corporation, which was responsible for the electronic office systems operations.

The new U.S. company will consist of three principal product sectors — telecommunications, based in Nashville, electronic office systems, based in Minneapolis, and business communications systems, based in Dallas.

Du Pont buys research facility

BY OUR NEW YORK STAFF

DU PONT, the leading U.S. chemicals group, said yesterday it had acquired for an undisclosed sum a research facility in Pennsylvania from Atlantic Richfield, the energy concern. The move reflects the chemical group's attempts to boost its activities in the expanding U.S. life sciences business.

In a related move, Du Pont also announced the appointment of Mr. Hazen Richardson, a veteran of the pharmaceutical industry and a former president of the Parke-Davis division of Warner-Lambert, to head Du Pont's pharmaceutical operations worldwide.

Mr. Edward Jefferson, Du Pont's president, said: "These moves, along with the recently announced plan to acquire New England Nuclear, are part of our programme to expand activity in life sciences fields, including pharmaceuticals, medical diagnostics, other health care projects and agriculture."

$46m fourth-quarter loss at First Penn

By Our New York Staff

FIRST PENNSYLVANIA Corporation, the U.S. bank holding company saved from financial collapse last spring by a $1.5bn rescue package, forecasts a net fourth quarter loss of $46m compared with an operating loss of about $1.4m in the same period of the previous year.

At the same time, the company announced an agreement for the settlement of law suits brought by shareholders alleging violations of federal securities laws including deficient public disclosures of the company's financial situation.

Mr. George Butler, the company's chairman, said that the fourth quarter loss would reflect an $11.5m provision for the settlement of all the shareholder suits, a loan loss provision of about $39m, a real estate write-down of $1.9m and a $2.5m loss from severance expenses

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday, January 12.

Closing prices on January 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CECA 11½ 88	100	94⅝	94⅞	+1⅛	+1⅛	12.83
CFE 13 87	75	†91½	92⅝	+0⅜	+0½	14.88
Citicorp O/S Fin. 10 86	300	89⅛	89⅝	+0⅜	+1¼	12.77
Citicorp O/S Fin. 12 87	200	96⅜	96⅞	+0⅛	+1⅛	12.77
Con. Illinois O/S 9¾ 86	150	88	88½	+1⅛	+1¼	12.82
Denmark 11¾ 90	100	91½	91⅞	+0⅛	+2⅞	13.33
Dome Petroleum 13½ 92	50	100⅝	101⅛	+1⅛	+1⅛	13.31
EEC 11 95 (May)	75	87⅜	87⅞	+1¼	+1⅞	12.93
EEC 11 95 (August)	70	85⅝	86⅛	+0⅜	+0⅜	13.21
EIB 13¾ 90	100	101⅛	101⅞	+0½	+1¼	13.40
Eksportfinans 9½ 87	75	85⅞	86⅛	+0⅜	+1	12.72
Elec. de France 10 88	125	86⅜	86⅞	+0⅞	+0⅜	12.85
Export Dv. Cpn. 12¾ 87	100	98⅝	99⅛	+1	+0⅞	12.95
Export Dv. Cpn. 9½ 88	150	87⅞	88⅜	+1⅛	+2⅛	12.85
Fed. Dev. Bank 12¾ 85	75	97½	98	+2	+1⅜	12.90
Fin. Exp. Credit 10½ 85	50	90⅛	90⅝	+1⅛	+1⅞	13.44
Finland, Rep. of 9½ 86	100	84⅞	85⅛	+0½	+1¼	13.66
Ford Credit O/S 14⅝ 83	150	99⅝	100⅛	+0⅜	+0⅜	14.64
Ford O/S Fin. 12⅝ 85	250	90⅞	91⅜	+0⅛	+1	15.50
GMAC O/S Fin. 13⅛ 85	100	99½	100	+0⅜	+0⅞	13.40
GMAC O/S Fin. 12 87	100	94¼	94¾	+0½	+0⅞	13.25
Gen. Mtrs. O/S 11¾ 87	100	93	93½	+0⅛	+1	13.29
Goodyear O/S 12½ 87	75	†96	96⅝	+0⅜	+0⅛	13.36
Hudson's Bay 11½ 90	75	91½	92	+1½	+2⅛	13.04
IBM Canada 10½ 85	50	97⅝	98⅛	+0⅜	+0⅜	11.09
Int. Harvester 12¾ 85	115	95⅝	96¼	+0⅞	0	13.93
J. C. Penney Int. 12⅞ 86	100	†97¼	97¾	+0½	+0⅛	13.01
McGraw 13½ 85	75	†96	97	+0½	−1	14.50
NorWest Ind. 13⅜ 87	50	†97¼	97¾	+0⅜	+0⅛	14.20
Nova Scotia 10¾ 90	50	88⅛	88⅝	+0⅜	+1⅞	12.91
OKB 10 85	50	90	90½	+0⅜	+0⅝	12.93
Pemex 11½ 88	100	88⅞	89⅜	+0⅜	+1	13.89
Quebec Hydro 11½ 92	100	89⅜	89⅞	+1⅜	+1¼	13.28
Repsteel O/S 11½ 88	100	†85¼	86¼	+0⅞	+1⅛	14.66
Rovleasc 11¾ 85	50	93½	94	+0½	+0⅜	13.14
SNCF 12⅛ 85	50	98⅜	98⅞	+0⅝	+0¾	12.75
Sweden 12⅜ 85	150	96¾	97¼	+1	+1	13.22
Swed. Ex. Cred. 12½ 85	40	†96¾	97¼	+1½	+2	13.40
Swed. Ex. Credit 12 83	50	96⅞	97⅛	+1⅛	+1⅜	13.37
Transamerica 12⅜ 83	50	†96½	97	+0⅛	+0⅛	13.80
Unilever NV 9¾ 90	100	†84¾	85¼	+1¼	+2½	12.50
World Bank 9⅜ 85	200	89⅞	90⅜	+0⅜	+1⅝	12.75
World Bank 10¼ 87	300	88½	89	+0⅝	+1⅜	12.89

Average price changes... On day +0⅜ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅞ 90	100	93¾	94½	+0¼	+0⅜	9.30
Australia 8⅛ 90	250	96¾	97	+0⅜	−0⅜	8.67
Austria, Rep. of 8¾ 92	150	93½	94½	0	+0¼	9.13
BFCE 8⅛ 95	100	91⅞	92⅝	+0⅞	+0⅞	9.13
CECA 7⅞ 92	150	92¼	93	+0¼	+0¼	8.91
CII-Honeywell 8⅛ 90	125	95	95¼	+0½	+0⅜	9.11
Denmark 8¾ 92	100	94⅞	95⅝	+0⅜	−0⅞	8.94
EIB 8½ 90	200	96⅞	97⅜	+1¼	+1⅛	9.00
ESCOM 9¾ 87	100	97⅝	98⅛	+0¼	+0⅞	9.65
Iberduero SA 9 90	100	97¾	98½	+2⅜	0	9.29
Ind. Bk. Finland 8½ 90	50	94⅛	94⅞	+0⅛	+0⅛	9.37
Japan Air Lines 8⅛ 87	100	96¼	97	+0⅜	−0⅛	8.79
Japan Dev. Bk. 7⅝ 87	100	92½	93¼	+0½	+0⅞	9.08
Kobe, City of 8 90	100	93¾	94½	+0¼	+0⅛	8.93
Midland Int. Fin. 8½ 90	100	96½	97¼	0	+0¼	8.98
Norway 7½ 85	250	97½	98¼	+0¼	+0⅛	8.14
Nuclebras 9¾ 88	100	91¾	92½	−0⅜	−0¼	11.31
OKB 8¼ 92	150	92⅝	93⅜	+0⅜	+0⅛	9.25
Oslo, City of 8¾ 90	80	98⅞	99⅜	+0⅞	+0¼	8.89
Venezuela, R. of 9¾ 90	150	97⅞	98⅝	+0⅜	+0⅜	10.07
World Bank 8 90	700	93⅝	94⅛	+1⅛	+2½	8.93
World Bank 10 85	150	105	106	+0⅞	+1⅛	8.64
World Bank 10 90	200	107¼	108¼	+1⅛	+2¼	8.74

Average price changes... On day +0⅜ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5¾ 90	100	†97	98	+0⅛	+1¼	5.71
Bayer Int. Fin. 5¼ 92	100	100	100¼	0	+0½	5.23
Bergen, City of 6 90	50	101	101⅛	−0½	+0⅛	5.84
Buhrm'n-Tetterode 7 90	40	†104½	105	−0⅛	+0⅝	6.30
Copenhagen Tele. 5¾ 90	60	95¼	95⅞	0	+0⅜	6.34
Denmark 6¾ 90	80	94⅝	94⅞	0	+0⅜	6.50
EIB 4¾ 94	100	86¼	87	+0⅛	+0⅜	6.79
Etat. de France 5¾ 90	100	98¾	99	−0¼	0	5.40
Eurofima 5¾ 92	80	101½	102	0	−0½	5.54
F. G. H. Hypo. Bk. 6 90	50	†102¼	102¾	−0¼	0	5.65
Finland, Rep. of 5½ 90	80	93⅛	93⅞	+0⅜	+0⅛	6.51
GZB 4¾ 89	100	87⅝	88	+0⅛	+0⅞	6.07
Int.-Amer. Dev. 7 90	90	104¾	105	+0½	+1	6.29
Japan Dev. Bk. 5¾ 90	100	101¾	102	+0⅛	−0¼	5.49
Jutland Tele. 5½ 90	50	95¼	95½	+0⅛	−0⅜	6.18
Mt. Blanc Tunnel 5½ 90	60	98⅛	98⅞	+0⅞	+0½	5.67
Neweg 5¾ 90	80	100⅞	101⅛	+0¼	+0⅜	5.61
Nippon Tel. & T. 4¾ 89	100	93½	94¼	+0⅛	+0⅜	5.13
Norges Komm. 4⅞ 91	100	86¼	86½	−0⅜	−0⅞	6.14
OKB 4⅛ 91	100	89½	89¾	−0⅛	−0¼	5.69
OKB 6 90	100	101½	101¾	−0½	0	5.76
Oslo, City of 4⅞ 91	100	†86	86½	+0½	+0⅞	6.15
Oslo, City of 5⅞ 90	80	101⅝	101⅞	+0⅛	+0⅝	5.63
Philips Lamps 5¼ 92	100	96	96¼	−0⅜	0	5.71
Sekisui Pre. Hms. 6 90	80	102	102¼	+0¼	+1½	5.70
Shikoku El. Pwr. 4¾ 89	100	91⅞	92⅛	+0⅛	−0⅜	5.96
Trade Dev. Fin. 6½ 90	50	96¾	97	0	0	6.56
Voest-Alpine 5¾ 90	80	98¾	99	+0½	+1½	5.90

Average price changes... On day 0 on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	90½	91½	+0½	+0⅛	9.56
Australia 8½ 88	20	86⅛	87⅞	00	0	9.09
EIB 7¾ 89	12	92⅞	93⅜	−0⅛	−0⅜	8.96
Finland 5.8 83	10	89¾	90⅜	+0⅛	+0⅝	9.67
Finland 6.8 88	10	85⅞	86⅝	+0⅛	+0¼	9.49
Finland, Rep. of 8½ 87	15	94⅛	95⅛	−0½	−0¼	8.46

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	89¼	90½	+0⅛	+0⅜	13.35
CIBC 13½ 85 C$	50	†97½	98¼	+0⅞	+1¼	14.12
CIBC 11½ 85 C$	60	†93	93¼	+1	+1⅛	13.49
Federal Dev. 11½ 90 C$	60	†86¼	87	+0¼	+1⅛	14.10
Fst. Can. Inv. 10 84 C$	50	†89⅝	89½	+0⅛	+0⅜	14.23
R. Bk. Canada 10 88 C$	40	89¼	90½	−0⅞	−0⅜	12.68
Tordom Cpn. 13½ 85 C$	30	†97¾	98¼	0	+0½	14.04
M. Bk. Dnmk. 9 91 EUA	25	90	91	0	−1	10.60
SOFTE 8¾ 89 EUA	40	87	88	0	−0⅛	10.58
U. Bk. Nrwy. 9½ 90 EUA	18	98⅛	99⅛	−0⅛	−1⅛	9.62
Bk. Mees & H. 10 85 Fl	75	101⅛	101⅝	+0⅛	+0⅛	9.51
F. G. Hypo 9⅜ 87 Fl	60	94½	95	−0⅛	−0⅛	10.87
Heineken NV 10 87 Fl	75	97¼	98⅛	0	+0⅛	10.38
Nat. Inv. Bk. 10 87 Fl	75	97¼	97¾	+0⅛	+0⅛	10.52
Nat. Neder. 9½ 87 Fl	60	95⅛	95⅞	0	+0⅛	10.42
Ned. Midd. Bk. 10 85 Fl	75	101	101½	0	0	9.63
Aero Paris 13½ 87 FFr	150	96	97	+0⅛	+0½	13.92
Charb'nages 13¾ 85 FFr	400	99½	100½	+0⅛	+0⅛	13.86
CECA 14¼ 86 FFr	150	100½	101½	+0¼	+0⅜	13.92
Finland 11 84 FFr	80	90⅛	91⅛	+0⅞	+1⅛	14.10
Finland 11½ 89 FFr	70	84⅛	85¼	+0⅞	+0½	14.55
Gaz de France 11 84 FFr	150	90⅞	91⅞	+0⅛	+0⅛	14.03
Renault 9¾ 85 FFr	100	82⅛	83¼	+0⅛	+0⅛	15.27
Solvay et Cie 9¾ 87 FFr	125	78⅛	79⅛	+0½	+0⅛	15.05
Utd. Mex. Sts. 14 85 FFr	150	98⅜	99⅛	+0⅜	+0⅛	14.29
Acona 14 85 £	20	95¼	96	+0⅛	+0⅜	15.31
Beneficial Fin. 14¼ 90 £	20	94	94¾	+0⅛	+0⅞	15.37
Beneficial Fin. 14¼ 90 £	20	94¼	95	+0¼	+0⅛	15.32
BNP 13½ 91 £	15	96¼	96⅞	+0¼	+0⅛	14.17
CECA 13½ 88 £	20	96⅜	97⅛	+0⅛	+2¼	14.18
Citicorp O/S 13½ 90 £	50	95¼	96⅛	+0½	+0⅛	14.33
Fin. for Ind. 14½ 88 £	20	99⅞	100⅝	0	+0⅛	14.41
Fin. for Ind. 13⅜ 87 £	20	97	97¾	+0⅛	+1⅛	14.34
Gen. Elec. Co. 12½ 89 £	50	92⅞	93½	0	+0⅛	13.93
Peugeot SA 14 90 £	23	94¼	95	+0⅛	+0⅛	15.05
Rothschild 14½ 90 £	12	97¼	98	0	−0⅛	14.68
Swed. Ex. Cr. 15¼ 85 £	20	102⅛	102⅞	+0⅛	+0⅞	14.36
Banobras 8¼ 90 KD	7	†86⅛	87⅛	0	+0⅛	10.52
CCCE 8¾ 91 KD	10	†75⅞	76⅛	0	0	12.36
Sonatrach 8½ 90 KD	12	†87⅜	88⅛	0	+0⅛	10.81
Akzo 9¾ 87 LuxFr	500	89⅛	90⅛	+0⅛	+0⅛	11.51
Euratom 9⅞ 88 LuxFr	500	93⅛	94	+0⅛	−0⅛	11.11
Eurofima 10½ 87 LuxFr	500	98⅛	98⅞	0	−0⅛	10.80
EIB 9¾ 88 LuxFr	600	95	96	0	−0½	10.69
Volvo 9⅞ 87 LuxFr	500	90	91	0	−0¼	11.83

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	†98⅞	99⅛	2/1	10.44	10.53
Bk. of Montreal 5¼ 90	0¼	99⅛	100	18/6	5⅛	5.26
Bank of Tokyo 5¼ 89	‡0⅛	97⅞	98⅛	25/4	13.94	14.24
BBL Int. 5 86	0¼	98⅛	98⅞	20/5	16½	16.73
Barclays O/S Inv. 5 90	0¼	*99	99⅛	13/6	20⅛	20.28
Bergen Bk. A/S 6 89	‡0⅛	†98⅛	98⅛	29/2	18.19	18.46
BNP 5½ 88	0⅛	98⅞	99⅛	29/1	14.44	14.58
CNT 5¼ 86	§0⅛	97½	98	16/4	13⅛	13.55
Citicorp O/S F. 84	‡0	†99⅛	99⅛	31/1	18⅛	18.47
C. Itoh 5¼ 87	0⅛	97⅞	98⅛	18/3	12⅞	13.15
Co-operative Bk. 6 86	0⅛	97⅞	98⅛	15/5	15⅛	15.58
Den Norske Credit 6 90	0⅛	97⅜	98⅛	5/2	15⅞	18.07
Genfinance 5¼ 87	0⅛	98⅛	98⅜	30/4	15⅛	15.37
Giro und Bank 5¼ 91	0⅛	†98⅛	99	23/3	5⅛	5.32
GZB 5¼ 89	‡0⅛	98⅛	98⅝	1/2	15.06	15.31
Jugobanka 8 89	0⅞	91	93	23/5	16⅛	18.21
Ind. Bank Japan 5¼ 87	0⅛	98	98⅛	15/4	13.31	13.55
Ind. Bank Japan 5¼ 88	0⅛	97⅛	97⅞	9/4	13⅛	13.44
Lloyds Eurofin 8 90 £	0⅛	*95	95⅛	3/7	14⅛	15.20
Lloyds Eurofin 5¼ 92	0⅛	98⅛	98⅝	4/6	17⅛	17.51
LTCB Japan 5½ 86	0¼	100⅛	101⅛	13/6	20.19	19.96
Man. Hanov. O/S 5¼ 94	‡0⅛	98	98⅛	29/2	18⅛	18.45
Midland Intl. Fin. 5 89	0⅛	†100⅛	100⅞	30/6	19.56	19.44
Midland Intl. Fin. 5¼ 92	0⅛	98⅝	99⅛	5/6	17.79	17.38
Nacional Fin. 6⅜ 86	0⅛	98⅛	98⅜	25/1	9.69	9.85
Nat. West. 5¼ 94	§0⅛	96⅛	96⅞	14/4	13⅛	13.71
Nat. West. 5¼ 92	§0⅛	96⅛	96⅞	23/4	13.69	14.17
Nippon Credit 5¼ 87	‡0⅛	98⅛	98⅞	8/2	16.06	16.29
Standard Chart. 5¼ 90	0⅛	97⅜	98⅛	8/3	12.06	12.32
Svenska Hndlsbk. 5 87	0⅛	98⅛	98⅜	15/1	10	10.10
Bq. Ex. d'Alg. 4¾ 89 SF	0⅝	89	89⅛	18/6	7⅛	8.42

Average price changes... On day +0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	103⅞	104⅞	+0⅞	14.01
Canon 6⅞ 95	1/81	829	116⅛	117¼	−1⅛	1.76
Credit Suisse 4¾ 93	10/79	1278	†119½	121¼	+6	1.09
Digicon Fin. 8½ 95	10/81	29.5	†105	106	+0½	3.29
Ensearch Fin. 9½ 94	7/80	30.25	106½	161½	−3½	−3.54
Hanson O/S Fin. 9½ 95	1/81	1.92	106½	107¼	−0½	−3.26
Ina Overseas 8¼ 2000	4/81	42	†103	104¼	+1	6.59
Inchcape Ltd. 8 95	2/81	4.55	97⅛	98⅛	−0⅛	−2.06
Jacco 7½ 95	11/80	665	110⅛	111⅛	+0⅞	2.60
Marion Int. Fin. 9 95	12/80	23.25	†106	107⅛	−0½	−0.72
Matsushita El. 7½ 95	11/80	649	103	104	−0⅛	16.21
MEPC 8⅛ 96	2/81	2.47	93½	94½	−0⅛	1.59
Niigata Eng. 7⅛ 96	1/81	327	97⅞	98⅞	0	−3.25
Nissho-Iwai Co. 8 96	10/80	398	94⅛	95⅛	−0½	−7.89
Ricoh 6⅞ 95	9/80	604	111⅛	112⅛	−0⅛	−2.91
Sumitomo M. Ind. 7 95	2/81	181	109	110	+0⅛	−2.70
Swiss Bk. Cpn. 6¾ 90	9/80	200	†95	95½	+1⅛	7.67
Taylor Woodrow 8⅞ 90	1/81	4.94	94⅞	95⅞	+0⅞	5.17
Tranaco Int. 8¾ 95	2/81	68	†98	99⅛	+1⅛	16.02
Tricorp 8½ 95	12/80	31.25	†99⅛	101	+1	9.92
Union Bk. Switz. 5 83	2/80	121.4	†91	93	+2½	−10.60
Fujitsu 5 84 DM	7/79	431.5	134⅛	135⅛	+0⅞	−1.54
Sharp Cpn. 6½ 88 DM	9/80	595	130	131	−1	−2.25
Uny Co. 6½ 85 DM	11/79	987.3	102⅞	103⅞	+0⅞	−2.03

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

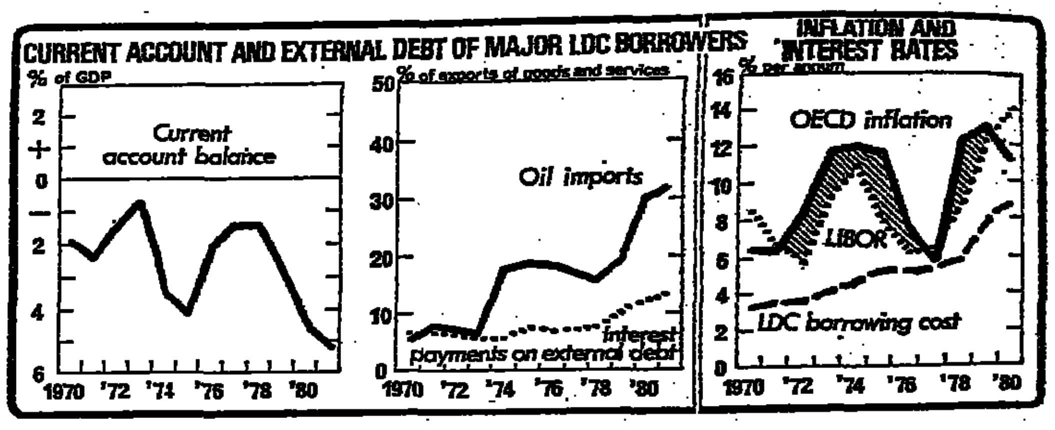
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

THIRD WORLD BORROWING

Cheap money runs out

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT



"THE END of cheap energy now is joined by the end of cheap money." These words, from the latest issue of Morgan Guaranty's World Financial Markets, will strike a chill into the heart of many a developing country government.

As the bank points out, high international interest rates have now begun seriously to compound the difficulties faced by many Third World countries as they struggle to cope with the rising balance-of-payments deficit brought about by the near-tripling of oil prices in the two years since December 1978.

Ten years ago the 12 leading borrowing countries in the non-oil-producing Third World paid annual interest of only $1.1bn on their external debt. For these countries — Argentina, Bolivia, Brazil, Chile, Colombia, India, South Korea, Philippines, Taiwan, Thailand, Ivory Coast and Turkey — the amount was eqivalent to less than 6 per cent of their export earnings and represented an average interest rate of only 3.2 per cent.

By 1980, however, their interest payments reached an estimated $16bn at an average rate of slightly below 9 per cent. This absorbed some 16 per cent of their export earnings, a share that could rise to 20 per cent in 1981, according to Morgan Guaranty.

The debt burden has increased despite the growth in total foreign debt of the countries concerned not exceeding their growth in exports.

It is almost entirely attributable to the rise in dollar interest rates during the period, together with greater recourse by these countries to private market finance as compared with cheaper, non-commercial sources of funds.

Morgan Guaranty makes two points about the present structure of developing country debt.

It notes that while interest rates remain high, debt burden is no longer being eroded by inflation to the same extent as in the past. The chart shows that the annual average rate for six month Libor is now some three percentage points higher than the inflation rate in the Organisation for Economic Co-operation and Development member states—defined as the two-year moving average of the GDP deflator in dollar terms.

Also, it points out that the 12 developing countries have become much more vulnerable to cash-flow problems because of their heavy reliance on commercial bank finance. The amount they borrowed from banks rose to nearly 100 per cent of their total exports in 1980, from about 40 per cent in 1973, while their total extenral debt, which includes non-commercial finance, has hovered around the 160 per cent of exports for most of the period.

Crucial to any alleviation of the problems facing the developing countries will be an effective programme to reduce U.S. inflation, which would not only dampen upward pressures on oil prices but also serve, in the longer term, to bring about permanently lower interest rates.

But Morgan Guaranty argues that because of the hardship being inflicted on the developing world by high U.S. interest rates, such a programme must be broadly based and must avoid the pitfalls of a one-sided monetary approach.

Britain has used such an approach, it says, but at great cost to the British economy. Applied to the U.S., such a policy would have disruptive effects throughout the world.

At the same time both the members of the Organisation of Petroleum Exporting Countries and the International Monetary Fund must become more directly involved in providing balance of payments support to non-oil developing countries, Morgan Guaranty says.

Apart from high interest rates, the developing countries face three other major problems associated with high oil prices, it adds.

There now seems to be little prospect of a reduction in the real price of oil, in contrast to 1973-74 when a surge in the nominal oil price was followed by a reduction in real terms of more than 20 per cent.

Morgan's own oil price index, which is based on 1974 prices, stood at 306 last month and is projected to rise to 360 in 1981.

Another contrast with 1973-74 is that the U.S. is no longer in a position to lead the world out of recession by pumping up its own economy. The gloomy economic prospects for industrial countries bode ill for developing country exports and their terms of trade, the bank says.

Estel to review activities after poor annual result

BY CHARLES BATCHELOR IN AMSTERDAM

ESTEL, the loss-making Dutch steel concern, is carrying out a thorough review of all its activities after 1980 produced a considerably worse result than at first expected. This year is also expected to lead to a "fairly considerable loss."

Investments will be cut to a minimum, stocks reduced and any activities which are not essential to its core steelmaking business may be sold or put into joint ventures with other companies. Even some parts of the basic steelmaking operation will have to be restructured, Mr. Jan Hooglandt, the chairman, said in his New Year's address to the workforce at the Ijmuiden steel mill.

The steel crisis of the past five years continued to put pressure on Estel's financial reserves so every attention must be paid to consolidating and improving the company's liquidity position, he warned. Estel has already announced a Fl.267m ($126m) loss for the first nine months of 1980 on sales of Fl 10.3bn ($4.9bn).

Estel is carrying out an "agonising reappraisal" at its Dortmund steelworks in Germany, where it recently postponed a DM 550m plan to build an oxygen steel plant.

A further reorganisation also will be necessary at Ijmuiden where better use must be made of existing capacity, in particular for rolled products. Estel is also considering changes in a number of other activities, including tube making, steel processing, trading and its diversification division.

The Ijmuiden plant, which was profitable in the two previous years, incurred a loss in 1980. It produced 4.1m tonnes of rolled products, 11 per cent less than in 1979, and 5m tonnes of crude steel, a decline of 9 per cent.

Estel is a supporter of the EEC's production curbs which took effect in October and these have already pushed up prices, Mr. Hooglandt said. The company is "not happy" with the production quota which it has been allocated, however, and feels the European Commission did not consult the producers adequately.

Increased foreign demand for Norwegian shares

BY FAY GJESTER IN OSLO

FOREIGN investors pumped some NKr 200m ($39m) into Norwegian shares in 1980—excluding the internationally traded Norsk Hydro—which is roughly 10 times as much as in 1979.

As a result foreign investment equalled about 16 per cent of total 1980 turnover in all shares, other than Norsk Hydro, reflecting the liberalisation of the rules restricting foreign investment in October, 1979.

A foreigner may now hold Norwegian shares up to a total value of NKr 1m, against only NKr 50,000 previously. While the lower limit was in force, the Norwegian share market was of limited interest to foreign institutions.

The Oslo bourse said the figures confirmed that much of this year's demand on the Norwegian share market had come from abroad. The bourse authorities thought it might well be a good idea to raise the present NKr 1m ceiling on individual foreign holdings.

Norsk Hydro is excluded from the bourse statistics because its shares are exempted from the rules regulating sales to foreigners. Large blocks of Hydro shares were sold abroad last year, and by December, 1980, the proportion of the company's NKr 1.43bn share capital held by Norwegian private investors had fallen to slightly more than 11 per cent, compared with in excess of 14.5 per cent a year earlier and 17.6 per cent on June 30, 1979.

In value, foreign purchases of Hydro shares exceeded those of all other Norwegian companies combined.

● ASV, the Norwegian state-owned aluminium group, reports improved turnover and profits for 1980. Turnover reached about NKr 3.5bn, against NKr 3.1bn, and pre-tax profits were "slightly better" than the NKr 223m achieved in 1979.

Mr. Haakon Sandvold, the managing director, said the down turn in world demand for aluminium had not hit the group until late in 1980. It was difficult to predict how long the present poor market conditions would continue, but 1981 was likely to be a difficult year.

Dutch bank sees reduced earnings

By Our Amsterdam Correspondent

FURTHER PROOF of the pressure on Dutch banking profits come from Nederlandse Credietbank, the number five in the Dutch banking league, which says it doubts whether 1980 will match the good results of 1979, when net profit was Fl 22.8m ($11m).

Pressure on interest margins, particularly in the second half of last year, meant profits were lower than expected, according to Mr. Jacques Delsing, the chairman. The balance-sheet total developed "favourably," however, increasing by 12 per cent to between Fl 12.5bn and Fl 13bn. But the year's growth has been slower than the 21 per cent shown for 1979.

The bank makes no forecasts for 1981 except to say that trading largely will depend on a recovery of interest margins and on the economic climate. It dees, however, say that both Nederlandse Credietbank Overseas, based in the Netherlands Antilles, and the recently acquired Asien Pazifik Bank of Hamburg, are expected to increase profits.

NCB is affiliated to Chase Manhattan Bank, which holds 31.5 per cent of its capital.

Last month another Dutch bank, Slavenburg's, reported that pressure on interest rate margins and rising costs would reduce operating profits and lead to a cut in dividend.

Higher returns from Naarden

By Our Financial Staff

NAARDEN International, the Dutch chemicals and fragrances company, expects 1980 net profits to be higher than the Fl 2.7m ($1.3m) earned in 1979, but has warned that 1981 could be a "difficult year" given a troubled economic climate internationally.

Cooper Basin oil and gas group to spend A$750m

BY OUR SYDNEY CORRESPONDENT

COOPER BASIN oil and gas producers plan to spend A$750m (US$880m) in the next three years developing a liquid petroleum gas (LPG) plant and pipeline in South Australia, it was announced yesterday.

Santos, the major partner, out of 10, and consortium manager, said the plans included fractionation, plant and wharf storage facilities at Stony Point in the Whyalla region.

The South Australian Government has, however, announced that it will appoint a committee to examine the proposals.

The pipeline planned by the consortium will run over 400 kilometres from a wellhead at Moomba to Stony Point, where crude oil and hydrocarbon liquids will be processed and distributed to local and overseas markets.

At current prices, the development of the Cooper Basin liquids will lead to the production of crude oil and condensate worth more than A$150m a year. In addition, LPG sales are expected to generate a further A$100m annually in export earnings in the next five years.

The planned investment is set to start later this year or early in 1982 subject to the scheme satisfying environmental requirements, Mr. John Zehnder, managing director of Santos, said.

Contracts for LPG and gas field condensate exports were to be completed by end-March, it was said in a statement to the Melbourne Stock Exchange.

The pipeline would be able to carry ethane in the event of a petrochemical complex being established in South Australia, Mr. Zehnder added. A number of companies were negotiating with the Cooper Basin producers for such supplies.

The producers' group comprises, apart from Santos, Delhi Petroleum Pty, South Australian Oil and Gas Corporation Pty, Vamgas, Alliance Petroleum Australia NL, Reef Oil NL, Basin Oil NL, Bridge Oil, Total Exploration Australia Pty and Crusader Resources NL. Final percentage interests in some aspects of the project, said Mr. Zehnder, remained subject to agreement.

The planned investment was effectively made possible by the Australian Government decision in November to approve LPG exports from the Cooper Basin.

The export authorisation is valid for five years, on condition that it has no effect on domestic supplies.

Vermillion sets HK syndicated loan record

By Adrian Boven in Hong Kong

A SYNDICATED LOAN of HK$1.5bn (around U.S.$300m), the largest land development loan in Hong Kong history, is being stitched together as rapidly as possible, so that the borrower will have the money in time to meet a January 19 Government deadline for payment of the HK$920m purchase price of a 1.5m sq ft property site on which it is planned to build a 400 unit luxury residential complex.

The loan for Vermillion Land, which is owned as to 40 per cent by the Colony's largest property company, Hongkong Land, is being arranged by Citicorp International and by Wardley, the merchant banking arm of the Hongkong and Shanghai Banking Corporation.

The two have invited other banks to participate, and a loan signing is due next week, but the Hongkong Bank is understood to be laying out the lion's share of the money.

Vermillion bought the development site at a land auction last month, and under the new land acquisition terms of the Hong Kong Government, is required to pay the full price within 30 days of being named by the Government as the successful bidder.

As proposed, the loan will come in three sections, with the first and largest bearing interest at 1¼ per cent above the Hong Kong inter-bank rate, and the other two sections each floating at 1 per cent above the inter-bank rate. The loan matures 60 days after completion of the sale of the property, or at a maximum of five years.

The new homes on the south side of Hong Kong Island are expected to sell for several million Hong Kong dollars each, and the cost of the entire development is an estimated HK$2bn.

The other partners in Vermillion are Sino Realty and Enterprises, with 40 per cent, Central Development with 10 per cent, and Maxims Development, with 10 per cent.

Bahrain eases investment rules

BY MARY FRINGS IN BAHRAIN

BAHRAINI investors are to be allowed to buy shares in public offshore companies, with the Cabinet having given approval to a Ministry of Commerce recommendation to modify the exempt company regulations.

Bahraini citizens or institutions were previously permitted to participate as promoters or founders, but subscripition to public share issues was limited to citizens of Gulf Arab states outside Bahrain. This exclusion was resented by Bahraini investors, although it was designed partly to protect them.

The relaxation of the rules comes at a time when there is a seasonal recession on the Kuwait stock market, where most of the Bahrain offshore company shares change hands. The one dollar (KD 0.27) nominal share in Gulf Investment Company, for example, are now selling at KD 0.80, some 27 per cent below their peak.

Although there are over 60 exempt companies, only eight are public. Their creation offered Kuwaiti investors in particular a new opportunity to play the stock market, and there were reports of fortunes made overnight.

The dramatic over-subscription in October, 1979, of the shares issue by Gulf Investment Company, which was covered 1,263 times, led to a year-long moratorium on offshore company share issues in Bahrain.

Although the Ministry of Commerce has received 20 applications for the setting up of new public offshore companies, it has indicated that the number approved for 1981 will be limited to three or four. The first of the new series of public share floats—to which Bahraini investors will be admitted—is expected in the first quarter of the year.

Victoria plans A$3.5bn power plant expansion

BY OUR SYDNEY CORRESPONDENT

THE VICTORIAN State Electricity Commission (SEC) has unveiled plans to build two power stations at an expected cost of $A3.5bn (US$4.2bn).

Under the SEC proposal, two 2,000 megawatt stations will be built near Driffield in the Latrobe valley, near Melbourne, and will be powered by brown coal from a new open-cut mine in the Narracan coalfield.

The Victorian Government said the stations will help to provide the state with electricity well into the next century and to give a base for its future development.

If the first units of the Driffield power stations start operations by 1991 as scheduled, and the second 2,000 megawatt stage of the ill-fated Loy Yang power stations is completed in the same year, Victoria's total electricity capacity will reach 15,000 megawatts by the mid-1990s.

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PUBLIC NOTICES

OFFICE OF FAIR TRADING
CINEMA FILMS
Monopoly Investigation

The Director General of Fair Trading has asked the Monopolies and Mergers Commission to investigate the supply of films to exhibitors for showing in cinemas in Great Britain. A similar reference was made in 1964. In their report in 1966 on the Film Industry, the Monopolies Commission hoped that their recommendations would bring about the "development of greater and more effective competition" in the supply of films to exhibitors. The new inquiry will be concerned with whether this development has taken place.

Film makers, distributors or anyone else within or outside the film industry who has information or views likely to help the Commission are invited to write to:—
The Secretary,
Monopolies and Mergers Commission,
New Court,
48 Carey Street,
London, WC2A 2JT.

SOUTH YORKSHIRE COUNTY COUNCIL
£4,000,000 bills issued 2/1/81 at the rate of 13 5-64ths to mature 8/4/81. Total applications were £18,000,000 and there are now 6,000,000 bills outstanding.

M.B. OF SANDWELL
Issued £1,750,000 7/1/81 to mature 8/4/81 @ 13½%. Total applications £14,750,000. Total bills outstanding £8,500,000.

COMPANY NOTICES

Notice to Holders of European Depositary Receipts (EDRs) in NIPPON MINIATURE BEARING CO., LTD.

Further to our notice of September 23, 1980, EDR holders are informed that Nippon Miniature Bearing has paid a dividend to holders of record September 30, 1980. The cash dividend payable is Yen 5.00 per Common Stock of Yen 50.00 per share. Pursuant to Clause 8 of the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 1 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

Arab Republic of Egypt	France	Singapore
Australia	Ireland	Spain
Belgium	Italy	Sweden
Brazil	Malaysia	Switzerland
Canada	The Netherlands	United Kingdom
Czechoslovakia	New Zealand	United States of America
Denmark	Norway	Zambia
Federal Republic of Germany	Republic of Korea	
Finland	Romania	

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1981.

Amounts payable in respect of current dividends:—

Coupon No. 1 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	U.S.$23.99	U.S.$20.39	U.S.$19.19

Depositary:
Citibank, N.A.
336 Strand, London, WC2R 1HB

Agent:
Citibank (Luxembourg) S.A.
16 Avenue Marie Therese

January 7, 1981.

INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN
9,25% 1976/1983
Loan of $U.S.30,000,000.—
Amortization of $U.S.6,000,000.—
on February 5, 1981

We inform the bondholders that 6000 bonds of nominal each $U.S.1000.— have been drawn for redemption on the presence of an "Huissier" in Luxembourg on December 18, 1980.

The bonds will be reimbursed at par on February 5, 1981, coupon no. 6 and followings attached, according to the modalities of payment on the reverse of the bonds. The numbers of such drawn bonds are as follows:

13845 to 16520 incl.
19521 to 22844 incl.

Amount outstanding after February 5, 1981: $U.S.18.000.000 nominal.

The Principal Paying Agent,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Av. E. Reuter,
Luxembourg

EUROPEAN PROPERTY INVESTMENT COMPANY N.V.

ESTABLISHED IN AMSTERDAM

At the Annual General Meeting of Shareholders held on 19th December 1980, a dividend of Dfls 6.60 per share with a nominal value of Dfls 100 has been declared for the year 1979-80.

As from 5th January 1981, a dividend of Dfls 6.60 per share with a nominal value of Dfls 100 is payable, after deduction of withholding tax, against delivery of coupon No. 7 at: Bank Mees & Hope NV Amsterdam.

Banque Internationale à Luxembourg, Luxembourg.

The Board of Managing Directors
Amsterdam,

29th December 1980

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE $2.50 COMMON STOCK J. P. MORGAN & CO. INCORPORATED

A cash distribution of $0.775 per Depositary shares will be payable on and after the 15th January 1981 upon presentation of Coupon No. 41 at:—

Morgan Guaranty Trust Company of New York,
30 West Broadway,
(Corporate Trust Department,
New York).

35 Avenue Des Arts, Brussels.

Morgan House, 1 Angel Court, London.

82 Frankrijklei, Antwerp.

at the designated rate, less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. $2.50 J. P. Morgan & Company Incorporated on the 10th December, 1980.

COMPAGNIE NATIONALE DU RHONE

US$25,000,000 10% 1975/1992

The redemption of US$663,000 due on February 1st, 1981 has been partially met by purchases in the Stock Exchange up to the amount of US$306,000. The Balance of US$357,000 has been met by drawing of lots on December 15th, 1980 in the presence of a Notary.

The drawn bonds have the following numbers: 7130 to 7610 inclusive when taking account of previous redemptions.

Amount remaining in circulation after February 1st, 1981:
US$9,289,000.

Drawn bonds will cease to bear interest after February 1st, 1981. Bonds presented for repayment must have their coupons as at February 1st, 1982 and subsequents attached and will be payable in accordance with the conditions shown on the bonds.

Bonds drawn for redemption and not yet presented for repayment:

Redemption as at 01.02.78
2985

Redemption as at 01.02.79
11988-96-12037-12127-12174-77

Redemption as at 01.02.80
36 bonds have not yet been presented in the Serial Nos. 4229 to 5028 inclusive.

Fiscal Agent
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

TRAVEL

WORLD STOCK MARKETS

Fresh early Wall St. advance

FURTHER reductions in the Prime Rate and continued demand for Blue Chips and major growth stocks by institutions gave Wall Street another sharp boost in extremely active early dealings yesterday.

The *Dow Jones* Industrial Average, after forging ahead nearly 20 points on Monday, penetrated the 1,000 level to stand 10.50 higher at 1,003.16 at 1.00 pm, a four-year peak. The NYSE All Common Index added 33 cents at $79.41, while advances led declines by a two-to-one margin. Trading volume further increased to 49.73m shares from the previous day's 1.00 pm level of 44.20m.

Before the opening, Marine Midland Bank cut its Prime Rate to 20 per cent, joining Morgan Guaranty. Latre, Chemical Bank reduced its Prime a point to 19½ per cent, the lowest among major banks.

John Smith, of Fahnestock and Co., said institutions are "buying Blue Chips for profit increases, not in 1981, but over the next two or three years."

He added that "if you look at the yields and (price-earnings) multiples, the Blue Chips are still fairly priced."

Du Point climbed 1½ to $43½, **American Telephone** $1 to $50¾, **Allied Chemical** 1¼ to $55⅞, **Eastman Kodak** ⅞ to $75⅝, **Sears Roebuck** ⅜ to $15¾, **Woolworth** ¼ to $25½, **Minnesota Mining** $1 to $61⅞ and **Westinghouse** ¼ to $31⅞.

Rite Aid added 2¼ at $33¼ on reporting higher fiscal third-quarter profits.

THE AMERICAN SE Market Value Index, however, was down 1.44 at 355.83 at 1 pm, although gains outscored declines by three-to-two. Volume 4.32m shares (4.73m).

The Amex list is heavily-weighted with Oils, which are being hit by profit-taking. Among the actives, **Houston Oil** lost 1¼ to $51¼ and **Ranger Oil** $1 to $17¼.

Canada

Most sectors retained a firming tendency in busy dealings yesterday morning, with the Toronto Composite index adding 14.5 at 2,321.6 at mid-day. Golds rose 60.0 to 4,904.8, but Oil and Gas receded 13.3 to 4,492.6.

Germany

The New Year rally gathered pace yesterday as most shares advanced in lively trading, encouraged by the downward trend of U.S. interest rates, which was also helping the Deutsche Mark and West German Bond markets to recover. The Domestic Bond markets have long wallowed in the shadow of much more attractive rates available on U.S. paper. The *Commerzbank* index, after rising 6.6 on Monday, advanced 14.0 to 706.0.

Dresdner Bank rose DM 5.80 and **Brown Boveri**, in Electricals, gained DM 5.20, but Motors remained under a cloud, **Volkswagen** and **Mercedes** each falling DM 3.50.

On the Domestic Bond market, Public Authority paper registered gains ranging to 35 pfennigs, while the Bundesbank sold DM 23.2m nominal of stock. Mark Eurobonds were also in demand.

Tokyo

The market started on a generally bright note, boosted by the strong overnight Wall Street rise and anticipation of a further cut in Japan's Official Discount Rate from the current 7.25 per cent. However, export-orientated issues later retreated on profit-taking to end mainly lower on the day, reflecting caution due to the sharp improvement in the yen against the U.S. dollar.

With a number of other issues also subsequently declining, falls finally outscored gains on the First Market section by 333 to 274. The Nikkei-Dow Jones Average closed 13.36 off on the day at 7,137.59, although the Tokyo SE index was still 0.46 ahead at 496.25. There was another active business of 460m shares. In the half-day session on Monday, volume reached 230m.

Olympus *fell* Y60 to Y1,320, **Fuji Photo** Y22 to Y870, **Nissan Motor** Y8 to Y704, **Pioneer Electronic** Y50 to Y2,360, **Victor Japan** Y60 to Y2,650, **Matsushita Electric** Y11 to Y851 and **Hitachi** Y4 to Y324, while **Mitsui Shipbuilding** and **Hitachi Shipbuilding** lost Y5 each to Y180 and Y179 respectively. However, Light Electricals resisting the downturn were **Sony**, Y60 higher at Y3,220, and **TDK**, up Y30 more at Y3,250.

Chemicals, Pharmaceuticals, Banks and Heavy Electric Machines produced some good rises.

Fuji Bank and **Sanwa Bank** gained Y20 apiece in view of approaching capital increases. **Takeda Pharmaceutical** rose Y18 to Y654 and **Toray** Y7 to Y291.

Australia

Stocks were again firmer-inclined, with the Oil and Gas sector continuing to feature strongly. The Australian All Ordinaries index climbed 8.4 to 728.3, while the Oil and Gas index advanced 30.2 to 992.2.

Stocks associated with the Woodada gas project set the pace, led by **Strata Oil**, which *added* 35 *cents* to an all-time high of A$4.25 on the strength of oil shows, reported on Monday.

Strata affiliate **Haoma** rose 30 cents to A$3.30, while partner **Northwest Mining** put on 22 cents to A$2.45. Elsewhere in the Oils, **Woodside** advanced 17 cents to A$3.35, **Hartogen** 20 cents to A$7.80 and **Magellan** 50 cents to A$9.50.

BHP, the nation's biggest oil producer, finished 35 cents up at A$16.75.

Hong Kong

After further enthusiastic early buying which took the market sharply higher, profit-taking set in, trimming many gains and leaving a number of issues lower on the day.

By mid-session, the Hang Seng index was 32.29 stronger, making a rise of 158.61, or 10.7 per cent, in the first 2½ trading days of the year, mainly on the belief that U.S. interest rates have started to come down. However, the index ended only a net 4.77 higher yesterday at 1,604.68.

Trading was again heavy, with turnover totalling HK$ 765.78m on the four Stock exchanges, almost matching Monday's HK$ 766.24m.

HK Land added 50 cents at HK$24.60, **Jardine Matheson** 80 cents at HK$ 27.50 and **HK Telephone** 20 cents at HK$ 27.10, but **Swire Pacific "A"** lost 60 cents at HK$ 12.20, **Hutchison Whampoa** 40 cents at HK$ 18.30, **Hang Seng Bank** HK4 at HK$171, **HK Bank** 20 cents at HK$ 23.70 and **Cheung Kong** 50 cents at HK$ 36.00.

Among stocks outside the leaders still showing good rises on the day, **Sun Hung Kai Properties** were up 50 cents at HK$ 19.50, **Kowloon Motor Bus** 80 cents at HK$ 15.20, **China Light** 90 cents at HK$ 24.00 and **Carrian** 40 cents at HK$ 10.20.

Paris

Bourse prices mainly showed some recovery after the recent setback. Sales of shares bought previously to take advantage of tax allowances under the "Monory Law" appeared to have come to an end.

Johannesburg

Gold shares were particularly firm in the afternoon, with prices moving ahead on thin volume in what dealers termed an *oversold* market.

Kloof rose R2.25 to R43.00, **Durban Deep** 30 cents to R10.90 and **East Driefontein** R2.05 to R36.80.

Mining Financials followed Golds higher, while **De Beers** gained 30 *cents* to R10.90. Platinums were firmer, and **Botrest** was sharply higher in Coppers, gaining 10 cents to 81 cents, while on the Industrials board gains were widespread.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Stock	Jan. 5	Jan. 2
Abitibi	24⅝	24⅝
Agnico Eagle	18¼	17⅝
Alcan Alumin	40½	40½
Algoma Steel	38	37¼
Asbestos	30	30
Bk Montreal	32⅝	32¾

BELGIUM (continued)

Jan. 6	Price Frs.	+ or —
Petrofina	5,050	—30
Royale Belge	4,500	—150
Soc Gen Banq	2,030	
Soc Gen Belge	1,160	
Sofina	2,905	—45
Solvay	2,285	—65
Traction Elect	2,100	

HOLLAND

Jan. 6	Price Fls.	+ or —
ACF Holding	71.2	+0.8
Ahold	77.5	+1.2
AKZO	18.6	+1.1
ABN	291	+9
AMEV	95.5	+0.5
AMRO	60.1	+1.9
Bredero Cert	191	+7.5

AUSTRALIA

Jan. 6	Price Aust. $	+ or —
ANZ Group	5.54	+0.02
Acrow Aust	0.95	+0.05
Allstate Expl	1.91	
AmpolPet	1.75	—0.15
Assoc.Pulp Pap	2.10	
Audimco	0.25	—0.01
Aust. Cons. Ind	2.40	+0.05

JAPAN (continued)

Jan. 6	Price Yen	+ or —
Kubota	360	+1
Kumagai	375	
Kyoto Ceramic	5,210	—30
Lion	511	—14
Maeda Cons	484	+1
Makita	965	—35
Marubeni	390	—2
Marudai	697	—3

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

HONG KONG

SINGAPORE

SOUTH AFRICA

BRAZIL

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Brazil coffee crop boost

BY RIK TURNER IN SAO PAULO

BRAZIL WILL produce 29m to 30m bags of coffee in 1981 according to a crop forecast here by Sr. Octavio Rainho, president of the Brazilian Coffee Institute (IBC).

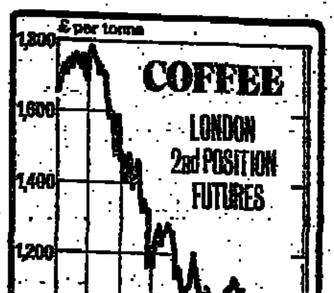
The reason for this increase over 1980 when 22m bags were harvested, is the absence of frosts last year. In 1979 the severe frost at the end of May hit the following 1980 crop.

Out of this year's total production, the overseas sales target will be 17m bags, 1.8m up on 1980.

The IBC has already guaranteed the sale of 9m bags in contracts with EEC roasters and a further 1m bags outside the Community.

Brazil's quota under the International Coffee Agreement is currently 14.3m bags, which means additional sales of 2.7m bags to consumer countries not covered by the Agreement will have to be made if the export target for this year is to be met. Brazil expects to sell these extra exports principally to Eastern European countries and Algeria.

But Brazil will also demand an increased quota under the Agreement according to Sr. Rainho.



Our Commodities Editor writes: There was little reaction on the London coffee market to the official Brazilian crop forecast since it was largely in line with trade estimates, indeed dealers were putting expected production slightly higher at between 30m and 32m bags, in spite of recent rumours of poor flowering.

The U.S. Agriculture Department yesterday predicted world coffee production in the 1980/81 season, ending in October, at 80.2m bags, compared with 80.4m bags in 1979/80. World exportable output is reduced by 0.2m bags to 60m bags.

The Department put Brazil's forthcoming crop at between 27m and 29m bags, but noted that with favourable weather the crop could be significantly above that figure.

Values on the London futures market opened higher yesterday following a strong uptrend in New York overnight. But prices later fell back on profit-taking. The March position after moving up to £1,051 at one stage finally closed at £1,039.5 a tonne, £6 up on the previous close.

The early rise was encouraged by reports that Colombia had sold out its quota coffee for the first quarter of 1981. But London traders feel prices are likely to stay in a narrow range since there are more than adequate supplies available from surplus stocks, even though the International Coffee Agreement is regualating supplies under its quota system.

Farmland prices at 2-year low

By Our Commodities Staff

ENGLISH FARMLAND prices fell to their lowest level for two years in the three months ended November, according to provisional figures published by the Ministry of Agriculture yesterday.

The average price of vacant possession land sold during the September/November period was put at £3,549 a hectare, the lowest level since September/November 1978 when the average was £3,426 a hectare.

The price index, which takes account of area and size-group variations in the sample, was also calculated provisionally at a two-year low at 190 (1973=100).

The figures are based on sales data covering 360 sales totalling 12,500 hectares collected by the Ministry's agricultural development and advisory service, the Agricultural Mortgage Corporation *and the Country Landowners'* Association. They may have to be revised as further information about sales in the period becomes available, the Ministry warned.

Prices of vacant possession farmland have been falling since last summer when the Ministry average reached a peak of £4,399 a hectare for the April/June quarter. The index also peaked then at 228.

OXFORD FARMING CONFERENCE

Food sales agency urged

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A NEW TRADE body to help promote British food products at home and abroad was proposed yesterday by a member of the special marketing team set up to advise the Ministry of Agriculture on agricultural marketing techniques.

The proposal was made by Miss Detta O'Cathain, group corporate planning executive for Unigate, at the Oxford farming conference yesterday.

Miss O'Cathain's suggestion for improving sales of British foods came as new trade figures were published showing that German food and drink sales to to the UK grew by an estimated 15 per cent in 1980 to reach more than £650m at retail prices.

The significance of this growth is that it has been supported by the West German agricultural marketing organisation—the CMA—a similar body to that proposed by Miss O'Cathain.

She told the conference that the proposed trade body could co-ordinate food demand and supply an ensure that producers received a fair return.

It would represent the whole food chain and not be "just another consumer protection body." She said that "there has been a horrible lack of co-ordination in food exporting and it is here that the Council could give a really worthwhile service to the agricultural industry."

The West German CMA was set up by the German Government in 1969 with the sole aim of improving the marketing of German food and drink both in the Federal Republic and abroad. It received Federal aid for the first five years but now relies on finance from the German agricultural industry.

A similar function is performed for French producers by SOPEXA (Société pour la Promotion de l'Exportation des Produits Agricoles et Alimentaires) and Miss O'Cathain said the British body she was proposing should seek eventually to emulate this organisation. By then it should have far-reaching strategic responsibilities and *functions which might include* selective investment and commercial development, she said.

The CMA's efforts have helped German food and drink sales to the UK to increase nine-fold since the early 1970s. Last year was a particular good one for German foods in spite of the overall static demand for foods in the UK.

● Abolishing the Government's control over the retail *price of milk might be the only* way of ensuring the future of doorstep deliveries, Miss O'Cathain told the conference.

Distributors' costs had escalated at an enormous rate, and if doorstep deliveries were to be maintained, removing this government control might be the only answer.

She asked all farmers to keep track of their produce after it left the farm, through the wholesale markets to the shops.

On a recent visit to Nine Elms fruit and vegetable market in London, she found the tattered lettuce was British, all the dirty celery was British, and even the English Cox apples looked decidedly second-rate against the Dutch imports.

Farmers must market their produce properly if they hoped to compete with the "superb marketing efforts of their European competitors."

Over-use of pesticides attacked

Financial Times Reporter

THE QUANTITY of pesticides used in UK agriculture could be reduced drastically if better spraying techniques *were available, a government* scientist said yesterday.

Dr. George Cooke, chief research scientist at the Agricultural Research Council, told the conference: "The most serious problem in the area of pest control is the increasing incidence of resistance and tolerance to the chemical controls applied to many pests." Overspraying encouraged the build-up of resistance and increased the threat of pollution, he said.

Dr. Cooke added: "equally important is the question of placement of pesticides—this must be improved to make efficient use of the wide range of versatile chemicals we now have.

"*If an insecticide was used* so that only the insect was hit with a lethal dose, we would need only a thousandth of the amount now sprayed."

U.S. delays beef quota decision

BY DAI HAYWARD IN WELLINGTON

THE TOTAL quantity of NZ beef shipments to the U.S. this year will not be decided until President Reagan takes office this month. President Carter, who was to have made a decision on whether there would be unrestricted entry of beef, has passed the sensitive issue over to his successor.

American beef interests are lobbying for quotas or restrictions on beef shipments. NZ meat exporters learnt yesterday that Canada, which earlier this month said it would allow unlimited imports during 1981, could now change its decision. Canada will review the question of beef imports if the U.S. imposes quotas.

The New Zealand Government and meat industry are worried that the Administration will give in to pressure from American beef producers and agree to limit beef imports into the U.S. in 1981.

Such a decision, reversing President Carter's November ruling allowing unlimited beef imports into the U.S., could cost New Zealand up to NZ$28m in lost markets.

President Carter's earlier decision was intended to help American housewives and con*sumers by holding down beef* prices. Now there is heavy pressure to impose either import quotas or a voluntary agreement among supplying beef-producing countries to limit their shipments to the U.S.

In 1980 unlimited imports were allowed because beef shipments to the U.S. did not reach the level which would trigger off the counter-cyclical meat import regulations—a complicated beef-regulating system.

In November President Carter decided to allow unrestricted beef imports into the U.S. again in 1981 even if they went above the level of 656m kilos which would trigger off the regulations. The President *did this because of rising meat* prices.

Australia and New Zealand supply 80 per cent of U.S. beef imports. The U.S. Department of Agriculture has predicted that 1981 imports of beef will not exceed 661m kilos.

In 1980 NZ sent about 147m kilos worth NZ$400m. The NZ *meat industry expects to send* about the same amount in 1981.

If voluntary restraints are called for NZ would have to cut its beef exports to the U.S. by about one fifth. If the U.S. applies import quotas NZ will lose a much bigger share of the beef market.

U.S. beef producers have strongly opposed the decision allowing unlimited imports during the coming year. The beef lobby will welcome President Carter's decision to pass over the issue to his successor. President Reagan is thought to be more sympathetic to cattlemen who are traditionally Republican supporters.

NZ diplomats and trade officials in Washington are monitoring the position closely, and during the holiday period there have been lengthy consulations in Wellington.

Soyabean meal trade record

TURNOVER in soyabean meal trading in 1980 reached a record 4.064m tonnes, with *volume up 64 per cent on* 1979 and 6 per cent up on the previous highest volume recorded in 1977, according to the Soya Bean Meal Futures Association (Somfa).

The London Potato Futures Association also announced that 2,186 lots of 40 tonnes were traded in December, with an equivalent value of £5.662m.

Copper values rise

THE FURTHER cut in U.S. interest rates announced yesterday pushed copper prices higher again on the London *Metal Exchange.* Cash wirebars closed £6.75 up at £812.5 a tonne, and moved further ahead in late kerb trading.

FARM WAGE AWARDS

The growth of contract labour

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE 10.3 per cent wage increase which farm workers were awarded beginning January 20 is almost certain to continue the drift of employees from the land. This has been running at *about 5 per cent annually for* many years.

Had the increase been of the order of the 21 per cent awarded last year this drift would have become a torrent. As it is the present award will do nothing to reduce the rate of outflow of permanent labour.

So fearful had farmers been of the imposition of another large award that NFU branch secretaries had been receiving many inquiries about redundancy payments. It has also become very difficult indeed for young men to find farm jobs, even as pre-university or college students. Faced with the inexorable rise in the cost of all other resources and virtually static prices, farmers are forced to cut *the only cost which is to some* extent under their own control.

By the standards of industrial wages, farm workers are not well paid. The new basic rate for craftsmen at £73.60 per week for 40 hours plus overtime at £2.50 an hour will not represent riches to the worker. But this cost together with the rent and rates of the tied house, which is provided, represents a sizeable cost to the farmer which probably amounts to double the basic wage.

His assessment of the value of this cost is spurred by the increasing seasonality of modern farming techniques, particularly cereal growing. The swing towards autumn sown varieties means that on many farms there is little to do after the end of October when planting is completed until the beginning of spring work in March. Then there is little but spraying and fertilising work which could not be done by contractors, until harvest in July.

This pressure of harvest and autumn work has already *encouraged the employment of* contract and casual labour. It would be logical to dispense with the overhead of full-time staff in favour of a full contractual service in which the contractor supplies not only the labour but the machinery.

This is already happening in some areas and contractors have been offering to do the whole of the work of an arable farm for a fixed sum an acre. So far this is not widespread because of the tradition that a British farm should be self-sufficient in labour and machinery, but high wage and machinery costs are forcing changes.

It could be said that it might become difficult to find contractors prepared to shoulder the very heavy seasonal load. But there are other seasonal jobs such as silage and hay making which are already contracted for and the contractor could probably get a better spread of work than an individual farmer.

Contracting is already well established in dairying. Farmers can contract the care of their dairy herds either to individual cowmen or to firms employing cowmen. In the first case the individual cowman is usually classed as self-employed and is paid a fixed sum per gallon or litre of milk actually sold. For this he is responsible for milking the cows and possibly rearing the calves as well. He is also responsible for finding his own reliefs and covering for holidays. It is a reasonable way for a young couple to save money by working long hours and being really skilled at their jobs.

There are a number of relief services claiming to provide workers for all farm jobs and with the increasing demand for workers to cover the peak harvest and sowing periods there is no doubt this could become a pattern in the future.

Britain is the odd man out in the Community in having a substantial paid labour force. As EEC integration proceeds it is more than likely that traditional paid permanent labour will disappear from British farms.

BRITISH COMMODITY PRICES

BASE METALS

COPPER—Gained further ground on the London Metal Exchange following another cut in American prime rates. After opening at £827 three months eased to £825 on lack of interest and the firmness of sterling. However, in the afternoon the prime rate cuts in the U.S. encouraged a strong opening on Comex and forward metal rose to £837 before meeting profit-taking and short selling which pared the price to £832 on the late kerb. Turnover: 33,200 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	800.5-1.5	+10.2	812-3	+6.75
3 months	825-6	+12.2	835.5-6	+7
Settlem't	801.5	+10	—	
Cathodes				
Cash	781.5-2	+11	791-3	+4.5
3 months	805.5-6	+12.5	814-.5	+4.75
Settlem't	782	+11	—	......
U.S. Prod	—		*86.75-90.2	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £801, 01.5, three months £825, 26, 27, 28, 25.5, 26, 26.5, 27, 26.5, 26, 25, 25.5, 26. Cathodes, cash £781, 80.5, 81, three months £805, 06. Kerb: Wirebars, three months £826, 25, 25.5, 26, 26.5. Afternoon: Wirebars, three months £832, 32.5, 33, 35, 36, 35.5, 37, 36, 35.5. Cathodes: three months £814. Kerb: Wirebars, three months £834, 33.5, 33, 32, 31, 32.

TIN—Held steady in quiet trading with forward standard metal moving in a £15 range prior to closing the late kerb at £6,350. Turnover: 1,220 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6240-50	—47.5	6230-40	—32.5
3 months	6350-60	—25	6350-60	—10
Settlem't	6250	—45	—	.....
Standard				
Cash	6240-5	—50	6230-40	—32.5
3 months	6345-50	—27.5	6345-50	—15
Settlem't	6245	—50	—	......
Straits E.	‡582.78	+0.49	—	......
New York	—	......		

Morning: Standard, cash £6,230, 35, 40, three months £6,360, 50, 40, 50. Kerb: Standard, three months £6,345, 50, 55. Afternoon: Standard, three months £6,350, 60, 50. Kerb: Standard, three months £6,345, 50.

LEAD—Moved ahead strongly in the wake of copper. Forward metal opened around £329 and met good demand throughout the morning to touch £330 despite hedge selling. In the afternoon stop-loss buying and chartist buying lifted three months to £337 before a close on the late kerb of £336.5. Turnover: 15,675 tonnes.

Morning: Cash £317.5, 17, 16, 16.5, three months £328, 27, 27.5, 28. Kerb: Three months £329. Afternoon: Cash £325, 23, three months £331, 32, 33, 35, 34, 34.5, 35, 36, 37, 38, 36.5, 36, 35.5, 36, 36.5, 36. Kerb: Three months £335, 36, 36.5, 37, 37.5, 37, 36.5, 37.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	316-17	+6	320-4	+9
3 months	327.5-8	-8.25	335-6	+10½
S'ment	317	+6	—	.....
U.S. Spot	—	.....	*37-43	.....

ZINC—Edged higher in routine trading with forward metal closing the late kerb at £347.5. Turnover: 9,850 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	333-4	+6	335-6	+5.5
3 months	345-.5	+5.75	347.5-8	+3
S'ment	334	+6	—	.....
Primw'ts	—	.....	*41.5	.....

Morning: Three months £345, 45.5. Kerb: Three months £345.5. Afternoon: Three months £346, 46.5, 46, 47.5. Kerb: Three months £347.5.

ALUMINIUM—Marginally firmer. Forward metal dipped to £623 in early pre-market trading, reflecting the rise in sterling, but rallied to close the morning kerb at £628 on light buying interest. Afternoon trading saw three months move up to £633 before profit-taking left the price at £627.5 on the kerb. Turnover: 9,750 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	608-9	+.5	612-4	+5.5
3 months	626-7	—2.5	629.5-30.5	+.5

Morning: Cash £607. Kerb: Three months £627, 26, 27, 28. Afternoon: Three months £631, 32, 31, 30. Kerb: Three months £630, 29, 28, 28, 27.

NICKEL—Moved narrowly before closing the afternoon kerb at £2,685. Turnover: 90 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2670-80	+12.5	2695-700	+30
3 months	2670-80	—2.5	2680-90	.....

Morning: Three months £2,670, 75. Afternoon: Three months £2,675, 80.
* Cents per pound. ‡ M$ per kilo.
† On previous unofficial close.

BASE LENDING RATES

A.B.N. Bank	14 %	Grindlays Bank	‡14 %
Allied Irish Bank	14 %	■ Guinness Mahon	§14 %
American Express Bk.	14 %	■ Hambros Bank	14 %
Amro Bank	14 %	■ Hill, Samuel	§14 %
Henry Ansbacher	14 %	C. Hoare & Co.	†14 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
■ Arbuthnot Latham	14 %	Keyser Ullmann	14 %
Associates Cap. Corp.	14 %	Knowsley & Co. Ltd.	16 %
Banco de Bilbao	14 %	Langris Trust Ltd.	14 %
BCCI	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	Edward Manson & Co.	15 %
Bank of N.S.W.	14 %	Midland Bank	14 %
Banque Belge Ltd.	14 %	■ Samuel Montagu	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Morgan Grenfell	14 %
Barclays Bank	14 %	National Westminster	14 %
Beneficial Trust Ltd.	15 %	Norwich General Trust	14 %
Bremar Holdings Ltd.	15 %	P. S. Refson & Co.	14 %
Brit. Bank of Mdl. East	14 %	Rossminster	14 %
■ Brown Shipley	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Canada Perm't Trust	15 %	Slavenburg's Bank	14 %
Cayzer Ltd.	14 %	E. S. Schwab	14 %
Cedar Holdings	14 %	Standard Chartered	14 %
■ Charterhouse Japhet	14 %	Trade Dev. Bank	14 %
Choulartons	14 %	Trustee Savings Bank	14 %
C. E. Coates	14 %	Twentieth Century Bk.	14 %
Consolidated Credits	14 %	United Bank of Kuwait	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
Corinthian Secs.	14 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.

SILVER

Silver was fixed 13.4p an ounce higher for spot delivery in the London bullion market yesterday at 671.2p. U.S. equivalents of the fixing levels were: spot $16.303, up 50.3c; three-month $16.996, up 47.8; six-month $17.632, up 51.9c; and 12-month $18.724, up 35.6c. The metal opened at 668p-674p ($16.25-$16.40) and closed at 676p-684p ($16.40-$16.60).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	671.20p	+13.4	682.75p	+4.75
3 months	695.70p	+13.8	707.5p	+4
6 months	720.70p	+15.8	—	.....
12 months	765.20p	+8.4	—	.....

LME—Turnover 82 (228) lots of 10,000 ounces. Morning: Three months 699, 99.8, 700, 01, 700. Kerb: Untraded. Afternoon: Three months 705, 09, 05, 06, 07. Kerb: Three months 705, 02, 04, 05.

COCOA

Cocoa futures traded in a narrow range slightly easier from Monday, physical business from both origin and industry remained neglected, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	882-885	—5.0	885-880
May	907-908	—3.0	909-904
July	928-930	—3.0	931-925
Sept	947-948	—4.0	952-945
Dec	972-973	—5.0	974-970
March	995-996	—7.0	—
May	1010-20	—1.0	—

Sales: 1,000 (1,929) lots of 10 tonnes.
ICCO FUTURES—Daily price for Jan. 6 87.88 (97.09). Indicator prices for Jan. 6: 10-day average 96.88 (96.56), 15-day average 96.01 (95.81).

COFFEE

A slightly more active session on robustas saw prices open with gains of £10, reports Drexel Burnham Lambert. However, prices continued to fluctuate in a narrow range as trade selling was well absorbed by mixed buying. During the afternoon prices advanced to the highs before retreating sharply towards the close in the face of commission house selling and profit taking.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
January	1012-14	+9.5	1022-14
March	1039-40	+6.0	1051-38
May	1049-50	+6.0	1063-49
July	1055-60	+3.0	1077-58
Sept	1062-64	+5.5	1078-62
Nov	1060-75	+8.5	1075-72
Jan	1070-85	+11.0	1060

Sales: 3,409 (2,008) lots of 5 tonnes.
ICO Indicator prices for January 5 (U.S. cents per pound). Other Mild Arabicas 129.67. Robustas ICA 1976 121.50. ICA 1968 121.75. Unwashed Arabicas 217.00. Comb. daily ICA 1968 unquoted.

GRAINS

LONDON GRAIN FUTURES—Old crops opened unchanged. Values gradually eased on commercial and shipper selling despite underlying buying support. Trading was fairly active and values closed weaker 35p-55p lower on wheat and 35p-45p lower on barley in fairly active trade. New crops saw little trade and values eased 15p-20p on wheat and 25p-30p on barley, reports Acli.

M'nth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
Jan.	103.35	—0.45	95.10	—0.55
Mar.	106.85	—0.50	98.45	—0.45
May	110.80	—0.45	102.50	—0.55
July	114.95	—0.50	—	....
Sept.	101.05	—0.15	96.20	—0.25
Nov.	104.75	—0.25	99.90	—0.50

Business done—Wheat: Jan. 103.75-103.30, March 107.25-106.85, May 11.30-110.90, July 115.10-114.95, Sept. 101.05-101.05, Nov. 104.90-104.75. Sales: 402 lots of 100 tonnes. Barley: Jan. 95.40-95.10, March 98.80-98.45, May 102.80-102.50, July no trade, Sept. 96.40-96.40, Nov. 100.00-100.00. Sales: 276 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent Feb. 110.75, March 111.50 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent Feb. 106.00, March 106.75, transhipment East Coast sellers. Maize: French first half Jan. 119.75, second half Jan. 120.25, first half Feb. 121.50, East Coast sellers. S. African Yellow Feb./March 89.50. Barley: English Feed fob Jan. 101 seller, Feb. 101.75 paid, March 103.25 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 94.10, S. West 95.10, W. Midlands 92.70, N. West 95.30. Other milling wheat: N West 104.50. The UK Monetary coefficient for the week beginning Monday, January 12, is expected to remain unchanged.

RUBBER

The London physical market opened slightly easier with good interest at lower levels, closing on a steadier note. Lewis and Peat reported a fob February price for No. 1 RSS in Kuala Lumpur of 297.75 (296.5) cents a kg and SMR 20 at 253.5 (251.5) cents.

No. 1 R.S.S.	Yest'rd'ys close	Previous close	Business Done
Feb.	56.50-56.70	55.50-57.00	56.40-56.00
Mar.	58.20-58.00	57.00-58.00	—
Apr-Jne	61.30-61.40	60.40-60.50	61.40-60.10
Jly-Sept	64.60-64.70	65.70-65.90	64.70-65.40
Oct-Dec	67.80-67.90	66.90-67.00	67.90-66.70
Jan-Mar	70.90-71.10	69.80-70.00	70.50
Apl-Jne	74.00-74.10	72.90-73.00	74.00-72.80
Jly-Sept	77.00-77.20	75.90-76.10	—
Oct-Dec	80.10-80.30	79.00-79.20	80.20

Sales: 331 (26) at 15 tonnes, 4 at 5 tonnes. Physical closing prices (buyer) were: Spot 55.50p (55.25p), Feb. 60.00p (59.50p), March 61.00p (60.25p).

SOYABEAN MEAL

The London market opened £1.00-£1.50 lower on light commission house selling, reports T. G. Roddick. The market drifted on light volume and closed £2.00 down on the day.

	Yest'rd'ys Close	+ or —	Business Done
	£ per tonne		
February	129.50-30.5	—1.70	131.80-29.50
April	135.50-35.2	—1.80	136.00-34.50
June	137.00-38.5	—1.60	138.00-37.80
August	139.50-40.5	—0.90	—
October	129.50-31.0	—0.90	—
December	129.50-32.0	—0.25	—
February	130.00-33.0	—0.50	—

Sales: 48 (96) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) 315.00 (300.00) a tonne cif for Jan.-Feb. shipments. White sugar daily price was 343.00 (323.00).

Gains of some £8 above the overnight closing levels were maintained until late afternoon when heavy arbitrage selling caused a sharp fall. Reports that Portugal had acquired Brazilian sugar at a low price and the rejection of all offers at a Turkish tender aided the weaker sentiment, reports C. Czarnikow.

No. 4 Contract	Yesterd'ys Close	Previous close	Business Done
	£ per tonne		
Mch.	324.25-24.50	318.50-18.75	333.75-19.50
May	321.50-21.75	318.05-19.10	331.25-16.00
Aug	306.50-09.00	306.00-06.10	318.00-07.00
Oct	289.00-92.00	295.50-94.00	304.50-95.00
Jan	265.00-68.00	269.00-72.00	277.50
March	260.00-62.00	265.00-67.50	277.50-62.00
May	256.00-58.00	260.00-62.00	—

Sales: 9,825 (5,749) lots of 50 tonnes.
Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade, and £407.50 (£389.0) for export.
International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for January 5. Daily price 31.07 (29.54): 15-day average 28.82 (28.62).

COTTON

Liverpool—No spot or shipment sales were recorded for the second trading day in succession. Buyers seemed determined to avoid business of any kind and transactions were severely restrained. Even the more popular growths were in dull demand and interest was rare.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per kilo. March 471.5, 472.0, 472.0-471.5, 8; May 486.5, 487.0, 487.0-485.0, 7; July 501.0, 502.0, 501.0-499.0, 11; Oct. 501.0, 502.0, 501.0-500.0, 19; Dec 503.5, 505.0, untraded; March 510.0, 512.0, 510.0-509.6, 2; May 516.0, 516.8, 516.8-516.8, 3; July 519.0, 520.0, untraded. Sales: 56.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Jan. 348, 360, nil, nil; March 358, 364, nil, nil; May 359, 366, nil, nil; Aug. 372, 379, nil, nil; Oct. 374, 381, nil, nil; Dec. 380, 385, nil, nil; Jan. 380, 385, nil, nil; March 382, 387, 384, 2; May 382, 387, 384, 2. Sales 4.

POTATOES

LONDON POTATO FUTURES — February again came under pressure, losing over £1 by the close on a steady decline, but April held relatively steady to close only 20p lower. November found support, trading up to £1 higher before slipping back towards the close, reports Coley and Harper. Closing prices: Feb. 52.70 —110 (high 54.00, low 52.70), April 67.40 —20 (high 67.80, low 67.50), Nov. 51.70 —60 (high 52.10, low 51.50). Turnover: 70 (107) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 67.6 to 71.0; Ulster hindquarters 82.0 to 89.0, forequarters 49.0 to 54.0; Eire hindquarters 82.0 to 85.0, forequarters 49.0 to 52.0. Veal: Dutch hinds and ends 100.0 to 104.0. Lamb: English small 66.0 to 73.0, medium 66.5 to 70.8, heavy 63.0 to 68.0. Imported frozen: NZ pl new season 55.0 to 56.0, pm new season 52.0 to 52.0. Pork: English, under 100 lbs 42.0 to 50.0, 100-120 lbs 41.0 to 49.0, 120-150 lbs 37.5 to 44.0.

MEAT COMMISSION—Average fatstock prices at representative markets *on January 6.* GB—Cattle, 82.68p per kg lw (+1.54). UK—Sheep, 141.37p per kg est dcw (—12.32). GB—Pigs, 65.86p per kg lw (—1.33).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported produce: Oranges—Spania: Navelinas 48/54/60 4.40, 70 3.80, 80 3.40, 90 3.40, 100/110 3.40, 120/150 3.50; Moroccan: 56/64 4.20, 75 3.40, 88 3.30, 100/113 3.20; Jaffa: Navels 50/133 2.60-5.00; Egyptian: Baladi 88/125 2.30. Lemons—Spania: Trays 25/54 2.20-2.60; Cyprus: 10-kg 4.00-4.80; Greek: 2.40-2.60; Italian: 100/120 4.50-5.00; S. African: 80/120 5.00-7.00. Grapefruit—Cyprus: 36/42/48/54 3.00-3.30; 20-kg 40/64 3.50-4.50; Jaffa: 20-kg 36 4.45, 40 4.50, 48 4.65, 56 4.20, 64 3.75, 75 3.55. Satsumas—Spania: 210/195/189 2.80, 168 2.80, 144 3.00, 105 3.20, 90 3.20, 126 3.20. Clementines—Moroccan: 6/5/4's 2.80, 3's 3.00, 2's 3.20, 1's 3.40. Sours—Seville. 5.80-6.20. Apples—French: Sterkcrimson 40-lb 4.00-4.80, 72 2.30, 84 2.00, Golden Delicious 20-lb 72 2.20, 84 1.80, 40-lb 125/175 4.00-5.00, Granny Smith lsmo boxes 3.80-4.80; Hungarian: Starking 44-lb 5.50; Canadian: McIntosh Reds approx. 20-lb 70/100 2.40-2.80, Spartans 2.20, Red Delicious 135/150 6.50-7.00; U.S.: 7.00-8.00; Dutch: Cox's 28-lb 0.08-0.09. Pears—Dutch: Conference per pound 0.12-0.14; Italian: Passacressana 0.12. Peaches—South African: 25's 2.80. Plums—South African: Santa Rosa per pound 0.35. Apricots—South African: Per pound 0.38-0.42. Grapes—Spanish: Almeria 2.80, Napoleon 3.20-3.60. Strawberries—New Zealand: 8-oz per punnet 1.20. Pineapples—Ivory Coast: Each 0.50-1.00. Bananas—Colombian: Per pound 0.19.

★

GRIMSBY FISH—Supply: poor, demand: good. Prices at ship's side (unprocessed) per stone: Shell cod £7.50-£9.00, codlings £3.20-£6.20; large haddock £7.00-£7.80, medium £6.50-£7.00; rockfish £2.80; reds £2.50-£3.90; saithe £4.00-£4.70.

PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 6 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1475/1605	+15	$1450/490
Copper			
Cash w'bar	£812.5	—6.75	£792.5
3 mths	£835.75	—7	£815.25
Cash Cathode	£792	+4.5	£780
3 mths	£814.25	—4.75	£798
Gold troy oz.	$601.5	—9	$607.5
Lead Cash	£322	—9	£314.75
3 mths	£335.5	+10½	£326.75
Nickel	£3,226.57	....	£3,216*
Freemkt	275/290c	....	265/310c
Platin'mtr'y oz	£203	....	£202
Freemkt	£242.75	+0.65	£261.45
Quicksilver†	$355/365	....	$380/390
Silver troy oz.	671.20p	+13.4	736.30p
3 mths	695.70p	+13.9	761.20p
Tin Cash	£6,235	—32.5	£6,215
3 mths	£6,347.5	—10	£6,355
Tungsten22.04lb	$141.97	....	$144.32
Wolfrm 22.04lb	$143/146	....	$137/140
Zinc Cash	£335.5	+5.5	£340
3 mths	£347.75	+3	£351.625
Producers	$823	....	$823
Oils			
Coconut (Phil)	$615z	....	$590
Groundnut	....	....	....
Linseed Crude	£450	—3	£490
Palm Malayan	$630v	—5	$635
Seeds			
Copra Philip	$415	—5	$425
Soyabean(U.S.)	$336	....	$335
Grains			
Barley Futures	£98.45	—0.45	£99.85
Maize			
French	£119.75	....	£121.5
Wheat			
No 1 Red Spg.	....	....	....
No2 HardWint	£106.0y	—0.75	£108.5
Eng. Milling†	....	....	....
Other commodities			
Cocoa ship't	£958	—5	£958
Future May	£907.5	—3	£882.5
CoffeeF't Mar.	£1,039.5	+6	£1029
Cotton A.Index	100.05c	—0.75	99c
Rubber (kilo)	55.50p	+0.25	61.25p
Sugar (Raw)	£315	+15	£290
Woolt'ps 64s kl.	294p kilo	....	297p kilo

† Unquoted. w March. y Feb. x Jan.-Feb. u Feb.-March. t April. z Indicator. § Buyer. ‡ Per 76 lb flask. * Nominal.

AMERICAN MARKETS

NEW YORK, January 6.

COMMISSION HOUSE buying provided support for precious metals although they failed to hold their best gains. Copper receded under pressure of trade selling. Sugar improved helped by new inquiries. The livestock complex finished higher on local and commission house buying. Profit-taking and long liquidation by commission houses depressed cotton as the market failed to penetrate higher resistance levels following Monday's good gains. Coffee prices were mixed as dealer selling pressure developed on the close. Cocoa advanced moderately on technical buying. A late short covering rally moved soyabeans sharply higher from early heavy losses, while maize finished mixed and wheat fractionally higher, reported Heinold.

Copper—Jan. 87.30 (88.30), Feb. 88.45 (89.60), March 89.55-89.90, May 92.20-92.30, July 93.50-93.70, Sept. 95.80, Dec. 98.25, Jan. 99.05, March 100.10, May 102.05, July 103.45, Sept. 104.85. Sales: 4,500.

Potatoes (round whites) — March 140.2-141.0 (140.5), April 166.8-167.9 (168.4), Nov. 87.0-87.5. Sales: 2,067.

Sugar—No. 11: March 33.70-33.85 (33.23), May 3.25-23.40 (33.27), July 32.37, Sept. 30.95, Oct. 30.40, Jan. 27.50, March 27.25-27.35, May 27.00-27.30. Sales: 11,850.

Tin—690.0-705.0 (686.0-704.0).

CHICAGO, January 6.

Lard—Chicago loose 21.00 (21.75).

Live Cattle—Jan. 64.72 (65.05), Feb. 68.10-67.95 (67.92), April 70.70-70.60, June 72.60-72.50, Aug. 72.57-72.67, Oct. 71.45, Dec. 72.10, Feb. —.

Live Hogs—Feb. 48.45-48.25 (47.17), April 49.80-49.70 (48.67), June 53.75-53.70, July 54.97, Aug. 54.25-54.50, Oct. 53.50-53.70, Dec. 55.30, Feb. 57.25, April 57.20.

‡‡Maize — March 392-381¼ (381½), May 389¾-388¾ (389½), July 390¾-391, Sept. 381-381¼, Dec. 370¾-371, March 380½.

Pork Bellies — Feb. 56.77 (54.77), March 57.77 (55.77), May 58.60, July 61.92, Aug. 61.65.

Silver—Jan. 1618.0 (1625.0), Feb. 1635.0 (1642.5), March —, April 1673.0, June 1721.0, Aug. 1764.0, Oct. 1807.0, Dec. 1850.0, Feb. 1893.0, April 1936.0, June 1979.0, Aug. 2022.0, Oct. 2065.0, April 2194.0, June —.

†Soyabeans — Jan. 819-818½ (808), March 842-843½ (834), May 859-866, July 882-883, Aug. 880, Sept. 859, Nov. 848, Jan. 865-866.

March 243.0-247.5 (246.7), May 254.5-254.0, July 259.5, Aug. 257.5, Sept. 251.0, Oct. 243.5-244.0, Dec. 244.0, Jan. 245.0-247.0, March —.

Soyabean Oil — Jan. 25.15-25.19 (25.00), March 25.95-25.99 (25.77), May 26.70-26.75, July 27.40-27.45, Aug. 27.45, Sept. 27.50-27.55, Oct. 27.55-27.60, Dec. 27.70-27.75, Jan. 27.55-27.60, March —.

†Wheat—March 506½-507 (505½), May 514-515 (513½), July 499½, Sept. 513, Dec. 532-531½, March —.

WINNIPEG, January 6.

§Barley—March 159.70 (159.60), May 161.10 (161.60), July 163.00, Oct. 164.00, Dec. 164.00.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Monday's closing prices

January 5.

††Cocoa—March 2051 (2050), May 2080 (2080), July 2120, Sept. 2165, Dec. 2215, March 2270, May —. Sales: 1,082.

Coffee—"C" Contract March 131.50-131.75 (126.80), May 131.81 (127.81), July 132.39, Sept. 132.48, Dec. 134.00, March 130.10, May 132.50. Sales: 1,716.

Cotton—No. 2: March 95.45-95.55 (94.65), May 96.00-96.15 (95.22), July 95.50-95.60, Oct. 89.70, Dec. 85.75-85.80, March 85.25-87.00, May 86.70-87.50. Sales: 6,650.

*Gold—Jan. 593.6 (586.3), Feb. 600.5-602.0 (594.5), March 609.6, April 617.0-619.0, June 633.0-636.0, Aug. 650.0, Oct. 666.0, Dec. 680.5-681.0, Feb. 692.0, April 708.0-712.0, June 723.0, Aug. 740.0, Oct. 756.0. Sales: 50,000.

Orange Juice—Jan. 78.05-78.50 (78.35), March 82.15-82.25 (82.75), May 84.75, July 87.10, Sept. 90.00-90.30, Nov. 91.50-92.00, Jan. 92.50-92.60, March 93.50-94.00, May 94.00-95.25. Sales: 1,000.

*Platinum—Jan. 585.5 (578.0), March —— (——), April 611.5-612.5, July 634.0, Oct. 660.0, Jan. 689.0. Sales: 2,372.

CHICAGO, Jan. 5.

Chicago Imm Gold — Jan. 594.5 (586.0), March 610.0-611.0 (601.8), April 618.5, June 634.0-635.0, July 642.4, Sept. 658.2, Oct. 666.1, Dec. 681.7, Jan. 689.5, March 705.0.

WINNIPEG, Jan. 5.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 293.45 (288.75).

EUROPEAN MARKETS

ROTTERDAM, January 6.

Wheat—U.S. Dark Hard Winter 13.5 per cent Jan. $240, Feb. $236, March $237. U.S. No. Two Red Winter Jan. $231, Feb. $228, March $232. U.S. No. Two Northern Spring 14 per cent Jan. $243, Feb. $250, *March $250, April-*May $229.50, June $231, July $232.

Maize—Spot $183, April $181.50, Jan. $182, Feb. $184.75, March $186, April-June $188, July-Sept. $187, Oct.-Dec. $180, Jan.-March $192.

Soyabeans—U.S. Two Yellow Gulfports afloat $326, Jan. $330, Feb. $333.50, March $343, April $348.25, May $352, June $350.50, July-Aug. $357.50, Sept. $349, Oct. $340.75, Nov. $340.50, Dec. $343 sellers. Argentine June $350.65, July $351.40 sellers. Soyameal—44 per cent protein afloat $292, Jan. $296, Feb. $304, March $310, April-Sept. $320, Nov.-March $309. Brazil Pellets afloat $301, Dec. $301, Jan. $304, Feb. $314, March $319, April-Sept. $322.

Just. ETA SH CMF SHRDL CMFW

PARIS, January 6.

Cocoa (FFr per 100 kilos)—March 935-945, May 967-977, July 990-1000, Sept. 995-1025, Dec. 1020-1045, March 1035-1055. Sales at call: 0.

Sugar (FFr per tonne)—March 3600-3605, May 3566-3570, July 3540-3560, Aug. 3500-3560, Oct. 3265-3300, Nov. unquoted, Dec. 3150-3200, March 3000-3100. Sales at call.

INDICES

FINANCIAL TIMES

Jan. 5	Jan. 2	Month ago	Year ago
263.97	265.19	262.50	294.40

(Base: July 1, 1952=100)

MOODY'S

Jan. 5	Dec. 31	Month ago	Year ago
1253.0	1215.8	1260.4	1380.8

(December 31, 1931=100)

DOW JONES

Dow Jones	Jan. 5	Jan. 2	Month ago	Year ago
Spot	443.72	464.55	440.01	413.96
Fut'rs	466.18	442.71	495.49	424.57

(Average 1924-25-26=100)

REUTERS

Jan. 6	Jan. 5	M'nth ago	Year ago
1729.6	1726.9	1725.7	1693.5

(Base: September 18, 1931=100)

Firm Gilt market uninspired by better banking figures
Equity leaders react again to close at day's lowest

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Dec. 24	Jan. 8	Jan. 9	Jan. 19
Jan. 12	Jan. 22	Jan. 23	Feb. 2
Jan. 26	Feb. 5	Feb. 6	Feb. 13

* "New time" dealings may take place from 9 am two business days earlier.

The most favourable banking statistics for some months—sterling M3 grew by only 0.5 per cent in the banking month to mid-December—failed to stimulate London stock markets yesterday. Awaiting the 2.30 pm announcement, Government securities had extended Monday's late upturn reflecting falling U.S. interest rates and a continuing strong pound. Quotations immediately improved after release of the banking figures, but soon began easing from the best with the market showing some hesitancy ahead of this morning's subscription to the new long tap, **Exchequer 12¼ per cent 1999 "B."**

£20 payable

The fact only £20 is payable on application is thought likely to tempt some investors, but Friday's £525m final call on **Treasury 11¾ per cent 2003-07 "A"** is considered to be a hurdle to oversubscription of the new £1bn issue. At the close, medium and longer-dated stocks were around ½ higher on the session, having been up by a maximum of ¾ earlier, with much of the day's business representing investment by smaller investors. Short-dated issues maintained a firm trend in a relatively modest trade and ended ⅛ better, after ¼.

Dealers in equities took note of Wall Street's sharp overnight rise and opened prices fully steady. Once again, however, institutional buyers were unwilling to commit funds and, with many jobbers reluctant to add to their already full book positions, leading shares began to react in the face of small public sales. The tone worsened progressively and losses finally ranged to around double figures in currently popular stocks such as **GEC** and **Thorn EMI**. Measuring the extent of the decline, the FT Industrial Ordinary share index closed 5.3 down at the day's lowest of 467.6, a turnround of 6.4 from the 10.00 am calculation when the index had posted a rise of 1.1.

China hopes

Reports that China is ready to negotiate about the repayment of assets seized during the Communist revolution of 1949 generated hopes of compensation for Chinese bonds. After several months of falling values, stock was none too freely available and gains of 4 to 6 points were achieved by 4½ per cent 1898, at £25, 5 per cent 1913, at £18, and 5 per cent 1925 Boxer, at £16.

Demand for Traded options picked up considerably and 1,343 deals were arranged — the highest total since late November. Business was well distributed around those stocks in issue with **Lonrho** to the fore with 290 trades. **BP** and **Shell** attracted 209 and 115 deals respectively, while **Grand Metropolitan**, annual results next Thursday, recorded 226.

Guinness Peat firm

Guinness Peat stood out in a mixed banking sector, rising 7 to 117p on investment demand; the interim results are due early next month. Other merchant banks improved in places with gains of 4 and 5 respectively in **Arbuthnot Latham**, 238p, and **Leopold Joseph**, 180p. Discount Houses moved higher in response to Press comment. The major clearing banks, on the other hand, showed falls ranging to 8 on sporadic selling and lack of support. Elsewhere, **Grindlays** fell 8 to 163p and **Sterling Credit** cheapened 1½ to 8½p.

A firm market of late, **London United Investments** shed 10 to 180p on profit-taking in quietly dull Insurances.

Recent bid favourites in the Timber section encountered profit-taking, **Phoenix** reacting 6 to 122p and **May and Hassell** 4 to 86p. Still reflecting the decision to accept the offer from Brooke Bond, **Mallinson-Denny** firmed 2½ more to 78½p. Elsewhere in the Building sector, **Tarmac**, 246p, and **Blue Circle**, 336p, eased 4 apiece in the leaders. On the other hand, fresh support was forthcoming for **Y. J. Lovell**, up 5 more at 172p.

News of the company's decision to restructure its fertiliser division, which will result in some 1,100 redundancies, caused marked weakness in **Fisons**, down 15 at 175p. **ICI** closed another 4 lower at 318p.

Grattan fall afresh

Store majors generally held the overnight positions. Speculative attention was again directed towards **Polly Peck**, 12 up at 160p, and **Owen Owen**, 6 dearer at 116p. **R. and J. Pullman** firmed 3 to 51p, but **Bakers Household**, annual results today, eased a couple of pence to 95p. Among mail-orders, **Grattan** remained depressed by the prospect of a slashed final dividend and fell 4 for a two-day drop of 10 at 56p.

Ward White's decision not to proceed with a counter-offer for the company clipped 2 more from **K Shoes** to 91p, or 4 below the cash offer from C. and J. Clark. **Ward White** added 2 to 57p.

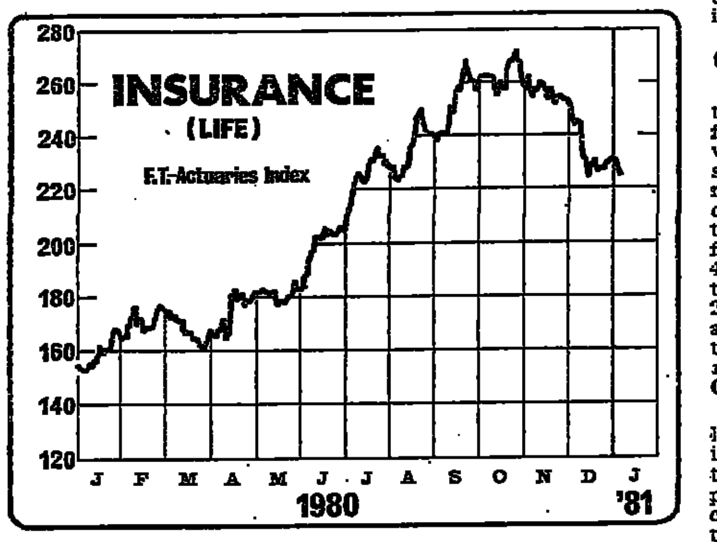
Fears that the Cabinet changes may lead to cut-backs in planned defence spending unsettled the Electrical leaders and prompted some nervous offerings. Most quotations, however, ended above the worst, **GEC** closing 9 cheaper at 603p, after 600p, and **Plessey** 3 off at 266p, after 262p. **Racal** finished only a penny lower at 327p, after 322p. **Thorn EMI** gave up 10 to 308p awaiting Friday's interim statement.

Leading Engineers followed the general trend, **Hawker** reacting 6 to 246p, **GKN** 3 to 150p and **John Brown** 2 to 60½p. **Record Ridgway**, the subject of a 37p cash bid from Bahco of Sweden, fell 8 to 38p following the company's announcement that talks with a second party had proved abortive. Disappointment with the interim statement caused weakness in **Howden Group** which closed 16 cheaper at 120p, while the forecast of poor results in the current trading year prompted a loss of 1½ to 56p in **Redman Heenan**. **Mining Supplies**, a poor market of late, rallied to 122p before dropping to 114p and closing unaltered on balance at 118p. Against the trend, **Jenks and Cattell** firmed 3 to 60p following a report that a large line of share has recently changed hands above the market price.

Initial support for Food Retailers dried up by mid-day and most issues reverted to the opening levels. **Hillards**, however, rose 4 to 191p, while revived speculative demand lifted **Cullens A** 6 to 156p. **Avana** encountered profit-taking and dipped 7 to 238p. **Somportex**, interim figures due next Tuesday, improved 20 for a two-day gain of 40 at 470p, while **A. G. Barr** hardened 3 to 128p following the preliminary results. **Tate and Lyle**, annual results due January 22, closed 3 better at 131p.

Renwick down

Interest in miscellaneous industrials was mainly confined to selected secondary issues. **Renwick** became a prominent dull feature, falling 9 to 73p, after 70p, following the lapsing of AAH's bid in view of the low level of acceptances. **Halma Investments** shed 8 to 82p as the chairman's warning about second-half trading outweighed news of the 11 per cent increase in interim profits. Disappointing half-year figures prompted a reaction of 5 to 58p in **British Cinematograph**, while comment on the uninspiring mid-term profits left **Rolfe and Nolan** 6 down at 60p. Small offerings ahead of tomorrow's annual figures led to a fall of 3 to 86p in **English China Clays**, while **Avon Rubber**, at 87p, lost 3 of the previous day's rise of 8 which followed details of the sale of its Avon Medicals subsidiary to Smith and Nephew for £2m. The dividend and profits forecasts which accompanied the proposed £8¾m rights issue helped **Portals** to improve 3 to 383p, while **Hollis Bros. and E.S.A.** added a similar amount to 28p awaiting today's interim results. **E. J. Riley** put on 5 to 44p and **Cawoods** 4 to 180p. **Glaxo** lost 6 to 206p among the quietly dull leaders.



Horizon Travel met profit taking and ended 7 lower at 138p.

Among Paper/Printings, **Bunzl Pulp** drew strength from a broker's circular and rose 6 to 116p. Advertising issues also made headway with **Saatchi and Saatchi** rising 5 more to 260p, while **More O'Ferrall** added 3 to 98p. The lack of bid developments clipped 7 from **William Collins**, 133p.

Interest in Properties was at an extremely low ebb. **Westminster**, at 35p, were unmoved despite news of a return to the dividend list and a sharp increase in annual earnings.

Oils remain on offer

The prospect of an increase in the price of North Sea crude failed to help the Oil market which lost further ground. Fresh scattered offerings found the market unwilling until the late dealings when quotations rallied to close above the worst. **Shell** finished 4 cheaper at 454p, after 452p. Among the more speculative issues, **Candecca** dipped to 204p before settling at 208p for a fall of 15. **IC Gas** gave up 12 to 248p and falls of 7 were recorded at **Floyd**, 138p, and **Carless**, 181p.

Investment Trusts were highlighted by a jump of 42 to 332p in **Winterbottom Trust** following the good preliminary results, proposed share sub-division and change of investment policy from that of an orthodox investment trust to a specialist trust investing solely in energy and energy-related stocks on a world-wide basis.

Despite a reported bid denial, **Reardon Smith** issues encountered fresh speculative interest and the Ordinary closed a further 5 better at 127p with the A 6 higher at 97p. Elsewhere in Shippings, **P & O Deferred** added 3 to 117p in response to Press comment.

Movements in Textiles were few but **Bond Street Fabrics** provided a late weak feature, falling 4 to 22p, following the decision to close its Thompstone factory in Leicester.

Golds up again

Mining markets generally gained further ground in quiet trading. South African Golds opened on a firm note on overnight U.S. demand and edged higher on light buying from Johannesburg before turning easier at around mid-day.

However, the continuing steady performance by the bullion price in the wake of further U.S. prime rate cuts encouraged renewed interest in the sharemarket in the afternoon and prices turned better again to close showing good gains.

The Gold Mines index advanced 10.9 to 421.1, while the bullion price closed $2 firmer at $601.50 an ounce.

In the heavyweights, **West Driefontein** were oustanding with an improvement of £2½ to £40, while gains of ¾ were common to **Kloof**, £16¾, **Southvaal**, £18, and **Doornfontein**, £11.

Among the medium- and lower-priced issues, **Libanon** were well supported and rose 66 to 971p while **Western Areas** added 24 to 382p.

Financials mirrored the gains in Golds. **"Amgold"** put on £2¼ to £51¼ and **Transvaal Consolidated Land** a point to £24¼.

RTZ rises

The London Financials were quietly steady with the notable exception of **Rio Tinto-Zinc** which attracted persistent investment demand and rose 8 to 415p.

Australians were marked up at the outset reflecting renewed strength in overnight domestic markets, but subsequently met profit-taking and closed on an uncertain note.

Haoma Gold gave up 13 to 155p and **North West Mining** 12 to 110p, reflecting profit-taking in Strata Oil, in which both companies have major shareholdings.

Coals were in demand with **Meekatharra** 45 up at 425p and **Oakbridge** 5 firmer at 132p.

York Resources advanced 8 to a 1980-81 high of 101p following a gas discovery by the company's American subsidiary. Elsewhere, **Nickelore** dropped 9 to 57p and **Pacific Copper** 6 to 164p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
EMI	50p	8	148	−6	190	130
GEC	25p	8	603	−9	620	326
Shell Transport	25p	8	454	−4	522	314
RTZ	25p	7	415	+8	456	322
New Court Nat.	5p	6	89	−3	118	32
Plessey	50p	6	266	−3	285	108
Barclays Bank	£1	5	432	−8	482	327
Glaxo	50p	5	266	−6	272	182
Grattan W'houses	25p	5	56	−4	110	50
Hanson Trust	25p	5	206	−6	212	120
ICI	£1	5	318	−4	402	314
Imp. Cont. Gas	£1	5	248	−12	355	198
Imperial Group	25p	5	73½	—	89½	70
Lonrho	25p	5	97	—	120	72
Midland Bank	£1	5	332	−8	384	308
Sears Holdings	25p	5	54¼	—	58	35½

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 5	Jan. 16	Apr. 8	Apr. 21
Jan. 19	Jan. 30	Apr. 29	May 11
Feb. 2	Feb. 13	May 14	May 26

For rate indications see end of Share Information Service

Call options were taken out in Comfort Hotels, Raglan Property, William Press, Edward Jones, Simmer and Jacks, Floyd Oil, Premier Oil, Wagon Finance, Westminster Properties, Aran Energy, Town and City Properties, Imperial, Fisons, Lee Cooper, Elsburg, and Charterhall. No puts or doubles were reported.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Jan. 6, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., Jan. 5 Index No.	Fri., Jan. 2 Index No.	Wed., Dec. 31 Index No.	Tues., Dec. 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	286.24	−1.0	14.96	5.76	8.16	289.02	289.91	287.41	286.48	212.71
2	Building Materials (27)	245.98	−0.3	18.91	7.02	6.30	246.82	246.56	246.16	244.35	196.62
3	Contracting, Construction (26)	404.67	−0.3	22.48	6.26	5.34	405.69	405.19	404.43	401.25	316.73
4	Electricals (27)	951.89	−1.2	9.61	2.75	12.94	963.50	972.22	959.13	956.44	553.64
5	Engineering Contractors (11)	394.49	−1.2	15.43	6.55	8.29	399.31	398.32	397.49	397.68	275.31
6	Mechanical Engineering (71)	170.74	−1.0	17.56	7.79	7.08	172.52	172.64	171.55	171.17	149.29
8	Metals and Metal Forming (13)	136.12	−1.1	21.80	12.60	5.81	137.60	138.18	137.33	136.59	145.54
9	Motors (21)	91.20	−1.4	22.44	9.26	5.16	92.48	92.22	92.19	92.74	103.18
10	Other Industrial Materials (15)	289.84	−0.9	15.59	7.35	7.64	292.51	291.05	287.41	0.00	0.00
21	CONSUMER GROUP (199)	238.11	−0.6	15.97	6.58	7.61	239.47	239.29	238.14	237.77	204.87
22	Brewers and Distillers (20)	260.38	−1.2	17.62	6.92	6.75	263.64	264.09	263.01	263.21	252.59
25	Food Manufacturing (23)	211.40	−0.1	18.64	7.45	6.38	211.61	211.58	211.09	210.74	190.25
26	Food Retailing (14)	484.90	−0.3	9.67	3.20	12.24	486.44	471.30	465.31	461.97	291.10
27	Health and Household Products (7)	261.05	−0.7	10.16	5.47	11.71	262.89	264.75	264.07	258.29	194.53
29	Leisure (22)	345.12	−1.3	15.87	6.46	7.93	349.52	351.48	349.02	348.88	276.99
32	Newspapers, Publishing (12)	425.61	−0.4	22.94	6.89	5.70	427.43	426.37	424.94	424.05	388.63
33	Packaging and Paper (15)	113.35	+0.1	28.49	10.75	4.06	113.24	114.57	114.56	114.00	113.24
34	Stores (44)	247.25	−0.4	12.07	5.09	10.84	248.29	248.60	246.98	247.10	194.49
35	Textiles (21)	124.70	−0.5	20.64	10.84	6.33	125.30	125.17	124.93	123.87	124.91
36	Tobaccos (3)	200.20	−0.2	28.67	11.63	3.97	200.69	199.71	199.61	198.45	201.87
39	Other Consumer (18)	236.99	−0.3	15.56	8.41	8.29	237.77	238.08	238.14	0.00	0.00
41	OTHER GROUPS (78)	217.55	−0.8	18.31	7.86	6.51	219.37	220.58	219.84	219.02	186.82
42	Chemicals (15)	292.67	−1.2	20.13	9.08	5.80	296.26	299.29	297.64	296.03	279.21
44	Office Equipment (6)	99.91	−0.7	20.58	8.32	5.68	100.57	101.58	101.52	101.58	103.19
45	Shipping and Transport (12)	537.42	+0.1	14.26	7.00	8.59	537.00	536.88	537.78	539.35	414.21
46	Miscellaneous (45)	264.62	−0.7	16.89	6.46	7.29	266.52	266.60	265.80	264.42	217.32
49	INDUSTRIAL GROUP (488)	252.67	−0.7	15.94	6.47	7.61	254.57	254.96	253.44	252.55	208.05
51	Oils (12)	900.22	−1.0	26.68	5.84	4.18	909.61	923.71	928.53	923.78	668.86
59	500 SHARE INDEX	303.89	−0.8	18.42	6.32	6.40	306.38	307.84	306.61	305.61	244.57
61	FINANCIAL GROUP (118)	234.19	−0.7	—	5.72	—	235.89	236.74	234.75	233.57	179.23
62	Banks (6)	245.01	−1.9	41.76	6.96	2.87	249.68	249.46	246.86	246.39	214.02
63	Discount Houses (10)	295.06	+0.7	—	5.83	—	293.11	291.90	290.22	286.85	213.01
64	Hire Purchase (5)	196.76	−0.4	12.36	5.32	10.92	197.62	197.62	197.30	197.04	164.25
65	Insurance (Life) (10)	224.23	−1.8	—	5.88	—	228.25	230.69	230.77	229.68	152.94
66	Insurance (Composite) (9)	147.02	—	—	7.96	—	146.96	148.75	147.25	146.08	120.09
67	Insurance Brokers (9)	318.44	—	14.47	7.27	9.47	318.31	319.51	319.56	318.59	276.20
68	Merchant Banks (13)	148.75	—	—	5.20	—	148.80	148.72	148.21	146.22	88.25
69	Property (45)	448.42	−0.3	3.29	2.74	42.41	449.82	450.76	445.03	441.63	309.57
70	Miscellaneous (11)	171.55	—	15.78	5.79	8.05	171.47	170.41	169.41	168.49	121.45
71	Investment Trusts (109)	284.10	+0.3	—	5.30	—	283.29	282.02	281.88	281.98	191.64
81	Mining Finance (3)	229.61	+0.7	14.28	5.84	8.34	227.96	228.46	227.95	227.95	171.77
91	Overseas Traders (20)	432.13	−0.1	11.68	6.80	10.38	432.60	430.79	428.39	425.66	330.99
99	ALL-SHARE INDEX (750)	290.16	−0.7	—	6.15	—	292.11	293.19	291.99	290.84	228.22

FIXED INTEREST PRICE INDICES

	British Government	Tues., Jan. 6	Day's change %	Mon., Jan. 5	xd adj. today	xd adj. 1981 to date
1	Under 5 years	107.61	+0.10	107.50	—	0.00
2	5-15 years	110.00	+0.33	109.64	—	0.00
3	Over 15 years	114.07	+0.36	113.66	—	0.00
4	Irredeemables	127.29	+0.43	126.74	—	0.00
5	All stocks	110.27	+0.27	109.98	—	0.00

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Tues., Jan. 6	Mon., Jan. 5	Year ago (approx.)
1	Low	5 years	11.88	11.92	12.47
2	Coupons	15 years	11.88	11.92	12.57
3		25 years	11.89	11.92	12.57
4	Medium	5 years	13.37	13.41	14.63
5	Coupons	15 years	13.80	13.85	14.32
6		25 years	13.52	13.56	14.23
7	High	5 years	13.41	13.46	15.01
8	Coupons	15 years	14.01	14.07	14.85
9		25 years	13.69	13.73	14.58
10	Irredeemables		11.52	11.57	12.16

		Tues., Jan. 6 Index No.	Yield %	Mon. Jan. 5	Friday Jan. 2	Wed. Dec. 31	Tues. Dec. 30	Mon. Dec. 29	Wed. Dec. 24	Tues. Dec. 23	Year ago (approx)
15	20-yr. Red. Deb. & Loans (15)	52.15	†14.20	52.13	52.08	52.09	52.96	52.97	52.97	52.95	49.15
16	Investment Trust Prefs. (15)	50.98	15.17	50.98	50.98	50.99	51.35	51.35	51.35	51.35	45.45
17	Coml. and Indl. Prefs. (20)	67.98	13.50	67.71	67.71	67.71	67.99	67.95	67.96	67.63	61.24

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
58	F.P.	5/2	339	303	Amer. Comm. Inds.	308	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$100	F.P.	[illegible]	[illegible]	[illegible]	Do. Notes 2005	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
610	F.P.	[illegible]	610	600	Cramphorn	610	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
303	F.P.	[illegible]	[illegible]	[illegible]	Dunbar Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
120	F.P.	[illegible]	[illegible]	[illegible]	Hadland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
107	F.P.	[illegible]	[illegible]	[illegible]	Independent Inv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	F.P.	[illegible]	[illegible]	[illegible]	Midland Marts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	New Tokyo Inv Tst 50p	109	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50	F.P.	[illegible]	[illegible]	[illegible]	Pennine	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	F.P.	[illegible]	[illegible]	[illegible]	Phoenix Mining 25p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
125	F.P.	[illegible]	[illegible]	[illegible]	Scan Data	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
148	F.P.	[illegible]	[illegible]	[illegible]	Thames Inv. & Secs.	152	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	51	1	13
Corpns., Dom. and Foreign Bonds	26	2	36
Industrials	171	297	922
Financial and Prop.	115	80	305
Oils	5	38	29
Plantations	0	2	5
Mines	57	31	75
Others	63	40	62
Totals	521	492	1,436

FINANCIAL TIMES STOCK INDICES

	Jan. 6	Jan. 5	Jan. 2	Dec. 31	Dec. 30	Dec. 29	A year ago
Government Secs.	69.02	68.83	68.77	68.69	68.69	68.75	65.09
Fixed Interest	70.70	70.54	70.54	70.44	70.44	70.57	65.94
Industrial Ord.	467.6	472.9	475.3	474.5	472.6	470.0	413.4
Gold Mines	421.1	410.2	405.8	407.5	408.1	441.3	280.2
Ord. Div. Yield	7.59	7.54	7.48	7.51	7.54	7.58	7.85
Earnings, Yld.% (full)	16.99	16.87	16.75	16.80	16.87	16.97	19.54
P/E Ratio (net) (*)	7.22	7.27	7.32	7.30	7.26	7.22	6.30
Total Bargains	20,212	17,584	9,131	13,774	15,188	11,230	20,578
Equity turnover £m.	—	70.09	32.63	46.47	71.27	46.87	82.06
Equity bargains total	—	13,646	6,674	9,740	10,686	7,298	13,679

10 am 474.0. 11 am 472.2. Noon 469.7. 1 pm 468.8.
2 pm 468.4. 3 pm 468.4.
Latest Index 01-246 8026.
*Nil = 6.66.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compil'ti'n High	Since Compil'ti'n Low
Govt. Secs.	72.54 (21/7)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9)	265.5 (13/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 6	Jan. 5
—Daily		
Gilt Edged	143.2	85.7
Industrials	54.9	64.2
Speculative	31.1	20.5
Totals	71.9	46.9
5-day Avrge.		
Gilt Edged	88.3	69.6
Industrials	62.5	49.3
Speculative	21.6	18.4
Totals	46.5	36.9

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (37)

BRITISH FUNDS (8)
Treas. 3½pc '79-81 | Treas. 8½pc '80-82
Treas. 9½pc 1981 | Treas. 8¼pc 1982
Exchqr. 9½pc 1981 | Exchqr. 9¾pc '82
Exchqr. 3pc 1981 | Exchqr. 11¼pc '86

AMERICANS (3)
First Chicago | Zapata Corp.
Utd. Technologies

BANKS (1)
Sec. Pacific Corp.

STORES (2)
Menzies (J.) | Pullman (R. & J.)

ELECTRICALS (2)
Suter Electrical | [illegible]

FOODS (3)
Hillards | Somportex
Northern Foods | [illegible]
Sainsbury (J.)

INDUSTRIALS (2)
Pilkington | Pritchard Services

PAPER (1)
Saatchi & Saatchi

PROPERTY (1)
London Shop Prop.

SHIPPING (2)
Reardon Smith | Reardon Smith A

TEXTILES (2)
Allied Textile | Dawson Int.

TRUSTS (6)
Altifund Inc. | [illegible]
M. & G. Dual Inc. | [illegible]

OIL & GAS (2)
Genoa Oil | [illegible]

MINES (2)
York Resources | [illegible]

NEW LOWS (30)

BEERS (2)
Allied Breweries | Highland Distils.

CHEMICALS (1)
Fisons

ELECTRICALS (2)
Baker Elec. | Utc. Electronic

ENGINEERING (7)
Alcan Aluminium | Jones & Shipman
British Aluminium | Tube Invs.
Danks Gowerton | Walker (C. & W.)
Garton Eng.

INDUSTRIALS (10)
Brit. Cine T. | Rolfe & Nolan
Howard Tenens | Sharna Ware
Myson Group | UKO Int.
[illegible]

MOTORS (2)
Automotive | Blumel Brothers

PROPERTY (1)
Hartley Ind. Trust

OIL & GAS (2)
[illegible]

MINES (2)
[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt
FT-Interzins .... DM57.13 40.58 −0.11 —
Frankft. Effekt. Fd. ... DM50.39 53.04 +0.52 —

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.
NAV Nov. 28 .... US$152.93 ...... —

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	58.0	62.4xd	-0.3	2.32
Abbey Capital	43.8	47.4	-0.6	5.17
Abbey General	54.4	58.8	-0.7	5.22
Abbey Gilt & F.I. Tst.	105.4	110.9xd	+0.6	11.87
Abbey Income	32.3	34.7xd	-0.1	10.11
Abbey W'Wide Bd Tst.	91.2	96.5		6.94
Abbey Inv. Tst. Fd.	48.9	52.9	+0.1	4.80
Equitas Prog. Tst.	77.6	83.9	-0.7	5.22

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	88.4	93.0	+0.1	12.90

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	85.5	91.5	-0.5	6.31
Brit. Inds. Fund	73.4	78.5	-0.6	6.30
Growth & Income	47.9	51.3xd	-0.4	5.42
Elect. & Ind. Dev.	42.4	45.4	-0.2	5.51
Allied Capital	92.2	98.5	-0.9	4.47
Hambro Fund	125.9	134.7xd	-0.9	6.42
Hambro Acc. Fund	174.3	186.5	-1.6	4.88
Income Funds				
High Yield Fd.	62.2	66.5		9.40
High Income	75.0	80.3	-0.4	7.91
A. H. Eq. Inc.	43.8	46.9	-0.1	7.80
Govt. Secs.	25.2	25.9	+0.1	12.08
International Funds				
International	34.5	36.9	-0.1	2.68
Pacific Fund	62.1	66.4xd	-0.4	1.84
Secs. Of America	70.5	75.4xd	-0.1	2.12
Specialist Funds				
Smaller Co.'s Fd.	52.6	56.3xd	-0.1	4.44
2nd Smlr. Co's Fd.	63.7	68.2	-0.2	4.40
Recovery Sits.	129.4	138.5	-0.2	5.81
Met. Min. & C'dty.	67.1	71.8		5.20
Overseas Earnings	65.1	69.7xd	-0.5	5.29

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	34.6	37.8	+0.2	11.91
North American	61.2	66.1	-0.5	2.60
Canadian Exempt*	64.5	68.2	+0.2	3.43
Canadian Trust	65.5	70.8		2.51
Mid Mount High Inc.*	47.3	50.1	+0.3	9.63
Recovery	54.7	59.6	-0.1	7.23
Gilt Trust	42.9	44.9	+0.3	12.88

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	40.3	43.5	-0.2	0.86
Cres. Internat'l.	74.6	80.5	-0.3	1.79
Cres. High. Dist.	40.5	43.7	+0.2	11.16
Cres. Reserves	49.1	53.0	-0.4	5.42
Cres. Tokyo	28.5	30.7	-0.6	1.02

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.0	25.9	+0.1	9.97

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Dec. 23	216.7	231.2		5.72

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.4	19.2		8.75
Gt. Winchester O'seas	25.8	28.4		3.90

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	88.4	95.1		6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	85.7	90.2		4.76

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	32.7	35.2	-0.1	0.80
Ameri. Spec. Sits. (z)	25.1	27.0	-0.4	0.89
Gilt + Fixed Int.	24.7	26.0xd	+0.1	12.43
Growth + Income	29.7	32.0xd	-0.2	7.75
Maximum Inc. Eq. Tst.	24.9	26.8		9.58
Special Sits.	39.0	42.0	+0.3	.92

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ.

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
98¾	90¼	Treasury 3½pc 1979-81	98¾	+⅛	3.53	12.95
99	93⅞	Treasury 9¾pc 1981‡‡	99	+⅛	9.83	13.21
97⅞	91¾	Exch. 8¼pc 1981	97⅞	.....	8.43	13.76
97¾	92¼	Exch. 9½pc 1981	97¾xd	+⅛	9.70	13.55
94⅞	85½	Exch. 3pc 1981	94⅞	+⅛	3.18	13.11
99¾	96½	Treas. Variable '81‡‡	99¼	....	13.59	14.36
100⅛	95⅞	Exch. 12¾pc 1981‡‡	99¾	.....	12.76	12.75
96⅛	88½	Treas. 8¼pc '80-82‡‡	96⅛xd	+⅛	8.84	12.68
92¾	82½	Treasury 3pc '82‡‡	92⅛	.....	3.25	10.70
102⅞	96⅞	Treasury 14pc '82‡‡	100⅞	.....	13.87	13.08
98⅞	94¼	Treas. Variable '82‡‡	98⅞	—⅛	13.67	14.49
94⅞	86½	Treasury 8¼pc '82	94⅞xd	+⅛	8.75	12.67
94⅞	86⅞	Exch. 9¼pc 1982	94⅞	—⅛	9.82	13.11
93⅞	85	Exch. 8¾pc 1983	93xd	+⅛	9.40	12.84
85½	76½	Exch. 3pc 1983	85½	....	3.52	11.03
85⅞	82	Exch. 3pc 1983 A	85⅛	.....	3.52	11.03
98¾	90⅞	Treasury 12pc 1983‡‡	97⅞	+⅛	12.26	13.13
96¾	90⅞	Treas. Variable '83‡‡	96¾	.....	13.93	15.08
93½	84½	Treasury 9¾pc '83	92¾xd	—⅛	9.97	12.72
102⅞	94¼	Exch. 13½pc '83	101	+⅛	13.36	13.04
93¾	84½	Exch. 10pc 1983	92⅞	+⅛	10.76	13.04
84¾	76½	Funding 5½pc '82-84‡‡	84⅝xd	.....	6.50	11.69
97⅞	87⅞	Exch. 11¼pc 1984	95¾	+⅛	11.81	13.11
104⅞	94½	Exchequer 14pc 1984	102⅝	+⅛	13.64	13.00
78⅞	68¼	Exch. 3pc 1984	78⅝	.....	3.82	10.56
99⅞	86⅞	Treasury 12pc 1984	97¼	+⅛	12.33	12.92
109⅞	98	Treasury 15pc 1985	105⅞	+⅛	14.16	13.06
73½	69	Treasury 3pc 1985	73½	.....	4.08	10.76
72⅞	71⅞	Do. A#	72⅞	.....	4.13	11.06
103¼	90⅞	Exch. 12¼pc 1985	97⅞	+⅛	12.57	12.96

Five to Fifteen Years

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
97⅞	93½	Exch. 11¾pc '86	97⅛	+⅛	12.35	13.08
90½	79¼	Treasury 8¼pc '84-86‡‡	85¾xd	+⅛	9.94	12.22
105⅞	91	Exch. 13¼pc 1987	99½xd	+⅛	13.29	13.34
81½	70¾	Funding 6½pc '85-87‡‡	79⅞	+⅛	8.32	11.51
97	91½	Treas. 12pc 1987	94⅞	—⅛	12.93	13.65
82½	72¼	Treasury 7¾pc '85-88‡‡	77½xd	+⅛	9.94	12.57
65	54⅞	Transport 3pc '78-88	62⅞	+⅛	4.83	10.43
98	83	Treasury 11½pc 1989	92¾	+⅛	13.00	13.90
30	24¼	Do. A (£30pd)	27⅞	+⅛	12.96	13.85
63	58½	Treasury 5pc '86-89	64½	—⅛	7.89	11.82
104½	89¾	Treasury 13pc 1990‡‡	96⅞xd	+⅛	13.45	13.69
82	69⅞	Treasury 8¼pc '87-90‡‡	76¾	+⅛	10.82	12.63
98⅞	82½	Treasury 11¾pc 1991	87⅞xd	—⅛	13.35	14.04
68½	57½	Funding 5¾pc '87-91‡‡	64½	+⅛	9.12	12.15
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
92½	82¼	Aust. 5½pc '81-82	92½	+¼	6.06	13.63
85¼	72½	Do. 6pc 1981-83	83¾	+¼	7.22	13.16
67⅞	58	N.Z. 7¼pc 1988-92	64¼	—½	11.30	13.47
82¼	72	Do. 7½pc '83-86	78½	—¼	9.61	13.28
96¼	88	Sth. Africa 9½pc '79-81	96½	......	10.02	16.45
160	95	S. Rhod. 2½pc Non-Ass.	125	......	—	—
49	31	Do. 3½pc 80-85 Asstd.	46	—2	7.91	25.70
32	20½	Do. 4½pc 87-92 Asstd.	23	—2	17.55	23.70

LOANS

Public Board and Ind.

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
64½	56½	Agric. Mt. 5pc '59-89	62	+¼	8.06	12.37
84	73½	Alcan 10½pc '89-94	76½	......	13.72	14.60
30	25	Met. Wtr. 3pc 'B'	29	......	10.73	12.92
104½	89	U.S.M.C. 9pc 1982	101	+2½	9.01	—
93	85½	Do. without Warnts.	92½	......	9.72	12.05

Financial

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
101½	93½	FFI 14pc '83	100¼	+¼	13.95	13.88
90½	79½	FFI(UK Fo)5½pcDb. '80-2	90	......	6.11	13.40
82½	71½	Do. 6¼pcDb. '81-84	80½	......	7.86	13.00
93	80½	Do. 10½pc Uns.Ln. '86	88xd	+1	11.93	13.85
92½	77	Do. 11pc Uns.Ln. '88	87½xd	......	12.57	13.40
96	82	Do. 11¾pc Uns Ln. '90	87xd	......	13.50	14.35
101	84½	Do. 12¾pc Un. Ln. 1992	94	......	13.86	14.30
67	56	Do. 7¼pcADeb. '89-92	61	......	11.88	14.05
66½	51½	Do. 7¼pcADeb. '91-94	61	......	12.33	14.15
76½	64½	Do. 9pc 'A' '91-94	71½	......	13.08	14.25
71½	61	Do. 8¾pcLn. '92-97	69½	......	13.53	14.25

FOREIGN BONDS & RAILS

1980-81 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
82	43	Antofagasta Rly.	62½	......	—	—
55	50	Do. 5pc Pref	55	......	—	—
98	93	Chilean Mixed	98	......	3	13.10
58	18	Chinese 4½pc 1898	25	+5	—	—
45	17	Do. 5pc 1912	21	+3	—	—
24	11	Do. 5pc 1913	18	+6	—	—
[illegible]						

AMERICANS

[illegible]

CANADIANS

1980-81 High	Low	Stock	Price	+ or —	Div. Gross	Cvr	Y'ld Gr's
[illegible]							
21⅞	11⅛	Imperial Oil‖	12	—⅛	$1.40	—	4.1
14	770p	Incoll	880p	+30	SUS72c	—	3.4
565p	425p	Int. Nat. Gas $1	483p	—17	$1.00	—	7.3
495p	145p	Massey Ferg.‖	165p	+10	—	—	—
200p	97p	Place Gas $1	117p	—3	—	—	—
14⅞	10½	Rio Algom	12⅞	—⅛	$1.50	—	4.1
21⅝	14¼	Royal Bk.Can. $2.	21	—⅛	$2.72	—	4.5
27½	15⅞	Seagram Co. C$1	24⅞	+⅛	US$1.40	—	2.4
13⅞	890p	Tor. Dom. Bk. $1.	11⅝xd	—⅛	$1.52	—	4.6
10½	750p	Trans Can. Pipe	775p	+5	$1.16	—	5.2

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

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DRAPERY AND STORES

[illegible]

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[illegible]

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INDUSTRIALS (Miscel.)

[illegible]

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INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

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Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

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PROPERTY

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SHOES AND LEATHER

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TOBACCOS

[illegible]

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Finance, Land, etc.

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OIL AND GAS

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RUBBERS AND SISALS

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TEAS

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[illegible]

Africa

[illegible]

MINES

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[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
150	75½	Anglo-Dominion	150	......	—	—	—
97	[illegible]	Barymin	57	–4	—	—	—
[illegible]	12	Burma Mines 10p	25	......	0.62	1.1	6.0
[illegible]	53	Colby Res. Corp.	289	+19	—	—	—
[illegible]	240	Cons. Murch. 10c	250	......	t030c	1.8	6.9
[illegible]	[illegible]	††Hemerdon 10c	85	......	—	—	—
[illegible]	36	Highwood Res.	265	–5	—	—	—
565	325	Northgate C$1	360	......	—	—	—
[illegible]	322	R.T.Z.	415	+8	t16.0	3.2	5.5
[illegible]	[illegible]	[illegible]	£101½	+1	Q9½%	—	f8.7
158	91	††SPC Minerals 10p	158	+2	—	—	—
58	26	Sabina Inds. C$1	46	+2	—	—	—
[illegible]	[illegible]	††SWCM 10p	35	......	—	—	—
650	411	Tara Explm. $1	500	–5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ÷ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♠ Merger bid or reorganisation in progress.
- ◊ Not comparable.
- ◊ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▽ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or –
Albany Inv. 20p	39	......
Bertam	13	+2
Bdg'water Est. 50p	515	......
Craig & Rose £1	£11¼	......
[illegible]	79	......
Findlay Pkg. 5p	22	......
Graig Ship. £1	125	+2
[illegible] Brew.	67	......
Holt (Jos) 25p	315	......
I.O.M. Stm. £1	165	+5
Pearce (C. H.)	655	......
Peel Mills	60	......
Sheff. Refrsmt	92	......
Sindall (Wm.)	135	......

IRISH

Stock	Price	+ or –
Conv. 9% '80/82	£93⅝	......
Nat. 9¾% 84/89	£74½xd	......
Fin. 13% 97/02	£86	+⅛
Alliance Gas	45	–5
Arnott	225	......
Carroll (P.J.)	80xd	+3
Concrete Prods.	83	......
Heiton (Hldgs.)	38	+5
Ins. Corp.	320	......
Irish Ropes	33xd	......
Jacob	34	......
T.M.G.	25	+½
Unidare	82	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	I.C.I.	28	Utd. Drapery	6½
BSC Intl.	9	"Imps"	7½	Vickers	15
B.S.R.	4½	I.C.L.	14	Woolworths	5½
Babcock	12	Invereskl	3	**Property**	
Barclays Bank	45	Ladbroke	24	Brit. Land	8
Beecham	15	Legal & Gen.	22	Cap. Counties	11
Blue Circle	30	Lex Service	10	Land Secs.	35
Boots	20	Lloyds Bank	20	MEPC	20
Bowaters	22	"Lots"	4	Peachey	17
B.A.T.	26	London Brick	6	Samuel Props.	15
Brown (J.)	6	Lucas Inds.	20	Town & City	3
Burton	10	"Mams"	18		
Cadburys	6	Mrks. & Spncr	9	**Oils**	
Courtaulds	6½	Midland Bank	32	Brit. Petroleum	50
Debenhams	6	N.E.I.	7	Burmah Oil	20
Distillers	17	Nat. West. Bank	32	Charterhall	15
Dunlop	7½	P & O Dfd.	12	SCA	22
Eagle Star	24	Plessey	25	Premier	14
F.N.F.C.	4	Racal Elect.	35	Shell	45
Gen. Accident	32	R.H.M.	4	Tricentrol	40
Gen. Electric	50	Rank Org.	16	Ultramar	50
Glaxo	22	Reed Intnl.	20		
Grand Met.	14	Sears	5	**Mines**	
G.U.S. 'A'	48	Tesco	5½	Charter Cons.	30
Guardian	32	Thorn	28	Cons. Gold	65
G.K.N.	16	Trust Houses	10	Lonrho	10
Hawker Sidd.	20	Tube Invest.	21	Rio T. Zinc	45
House of Fraser	15	Unilever	50		
		U.D.T.	5		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES

Wednesday January 7 1981

Thatcher reshuffle intended to secure unity

BY ELINOR GOODMAN

MRS. MARGARET THATCHER made clear yesterday that she hoped her Ministerial changes will pull the Government together and restore to it the unity it needs to stick to its strategy.

In a Thames Television interview she emphasised that in future she expected complete loyalty from her Ministers and far fewer of the leaks which have apparently annoyed her so much in the last few months.

The changes would give the Government a "new momentum and a new dynamism." They would reaffirm the directions in which the Government was going.

She did not like reshuffling people, but there came a time when you had to "grit your teeth" and get on with it.

As the Ministers involved installed themselves in their new departments, there was a growing feeling among the so-called "wets" that Mr. Norman St. John Stevas's sacking as Leader of the House, was supposed to set them an example.

Mrs. Thatcher said she was sorry to be losing Mr. St. John Stevas, but it was clear that she blamed him for some of the leaks which have created the impression of a divided Government.

Asked about the leaks, Mrs. Thatcher acknowledged there had been problems. Leaks did not help efficient Government.

What Ministers should not do, she stressed, was go along with something in Cabinet, only to disagree with it afterwards.

Mr. St. John Stevas said he would continue to support the Government. He would argue from the backbenches for Conservatism on a "one-nation" basis.

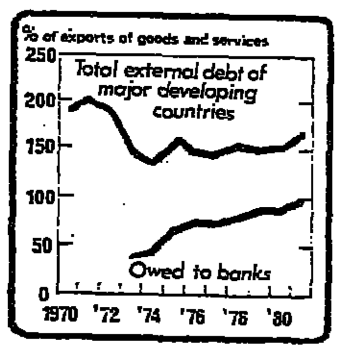
In so doing, he could embarrass Mrs. Thatcher. For in certain key respects his version of Conservatism is different from hers and much more like that of some of the "wets" still in the Cabinet such as Sir Ian Gilmour whom she would find it much harder to sack.

It became known yesterday that Mr. Francis Pym, moved from Defence to Lead of the House, had not wanted to change jobs at this stage because of the key decisions on next year's spending which have to be taken in the next few weeks.

Downing Street was at pains to dispel any idea that he had been demoted.

Mr. Pym was being portrayed as one of the Cabinet's heavyweights who would lead the Government's renewed campaign to get over the message that its policies were succeeding.

Task of cutting defence budget. Page 8
Wither the arts? Page 17



Burden of Third World debt increases

By Peter Montagnon, Euromarkets Correspondent

INTEREST PAYMENTS on external debt last year accounted for 16 per cent of the export earnings of the 12 heaviest borrowers in the non-oil-producing Third World.

Morgan Guaranty Trust, analysing developing country finance, says that 10 years ago interest payments took less than 6 per cent of earnings. This year the share could reach 20 per cent.

The U.S. bank says the heaviest borrowers faced an interest bill of $16bn (£6.62bn) last year compared with only $1.1bn in 1970.

The squeeze on developing countries, which are already grappling with balance of payments problems arising from higher oil prices, has been accentuated by the high level of U.S. interest rates.

Coupled with this is the fact that nearly two thirds of the developing countries' debt takes the form of expensive bank loans, compared with roughly a quarter in 1973.

As a proportion of exports, total external debt has remained more or less constant during the past decade.

Morgan Guaranty says commercial lending rates are now positive in real terms, which means inflation is no longer as effective in reducing the real burden of developing country debt.

Cheap money runs out, Page 24

Money supply growth goes down to only ½%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A PERIOD of slower monetary growth may have started after a rise in sterling M3, the broadly defined money supply, of about ½ per cent last month, the smallest increase since the spring.

Preliminary indications from the mid-December banking figures published yesterday by the Bank of England are that the money supply is expanding less rapidly than last summer and autumn, and that the private sector's demand for credit has eased as stock levels are reduced.

The exact position remains obscured by erratic movements from month to month, by flows in and out of sterling, and by fluctuations in the public sector's financial position.

The Government is thus unlikely to change minimum lending rate in the immediate future. This decision anyway appears less related to movements in sterling M3 than in the past.

But the prospect of lower interest rates was a central theme of the New Year messages last week of both the Prime Minister and Sir Geoffrey Howe, the Chancellor.

Any decision could become tied up in the pre-Budget discussions.

The gilt-edged market reacted coolly to the figures. Prices of long-dated stocks, £¾ up before the announcement, closed £½ higher.

This makes the outcome of the offer this morning of the new £1bn 1999 stock uncertain, though one attraction is that only £20 per £100 has to be subscribed with tenders.

Prospects for the money supply in the next two or three months are reasonably favourable.

This is largely because the public sector should be in a financial surplus, even on a seasonally-adjusted basis, as a result of EEC budget rebates and of the proceeds of asset sales.

Even if the money supply shows hardly any increase in the next three months the growth of sterling M3 over the target period from February 1980 to April this year is still almost certain to be well over the 7 to 11 per cent target range.

At present the increase since February is 22½ per cent at an annual rate, or just over 19 per cent after adjusting for exceptional distortions.

The main expansionary influence last month was probably bank lending to the private sector. The London clearing banks report an underlying rise of perhaps £400m in December; the increase was probably higher for the banking system as a whole.

This compares with a slight fall in November, though erratic. The trend seems to be a rise of about £450m a month, half last summer's rate.

Government borrowing last month seems to have been much less than in November.

The main indicator published yesterday was for eligible liabilities of the banking systems, the bulk of their deposits. These rose by 2.2 per cent last month.

The difference between this rise and the expected 0.5 per cent increase in sterling M3 can be attributed partly to the seasonal adjustment, largely to changes in the sterling position of the banks.

Editorial comment, Page 18
Banking tables, Page 22

Khomeini tells Iran to accept hostage plan

By Terry Povey in Tehran

AYATOLLAH KHOMEINI, Iran's revolutionary leader, yesterday advised his country's Government to accept Algerian proposals to end the 14-month-long hostage crisis.

Mr. Mohammed Ali Rajai, Iran's Prime Minister, and his entire Cabinet met the Ayatollah and his son Ahmed after several days considering the U.S. reply delivered to them by Algerian officials on Friday.

Mr. Rajai, after the meeting, said: "We discussed the hostage question with the Imam and explained to him the latest views given by the U.S. Government and the proposals of the Algerians."

The Algerians had "committed themselves to solving the problems between America and us and the Imam told us that we should accept their proposals."

Throughout the 52 U.S. diplomats' captivity the only authoritative voice on the issue in Iran has been that of Ayatollah Khomeini. Observers take his statement, as relayed by Mr. Rajai, to be his permitting the Government to accept the latest U.S. offer, as underwritten by the Algerians.

However, in a broadcast yesterday Ayatollah Khomeini referred neither to the hostage issue nor to his discussions of it with the Cabinet. This could imply that although progress is being made the final solution is some way off.

Iran claims victories, Page 3

Unused machinery in Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

THE Polish Government's recent cuts in investment are expected to lead to a 40 per cent increase this year in the value of machinery ordered and paid for but no longer required.

The amount of hard currency needlessly tied up in this way is unclear, but a considerable proportion of the machinery will come from the West under contracts which have been halted. The rest consists of imports from other Comecon countries and machinery produced domestically.

According to Mr. Stanislaw Wozniak, a senior investment official at the Planning Commission, the value of unistalled plant is destined to grow from 50bn zlotys (about £700m) at the end of December to about zl70bn by the end of this year.

The Government recently decided to halt work on 49 projects this year and cut investment spending by 15 per cent to maintain living standards and contain public discontent by shifting resources to satisfy consumer demand.

The agreements signed between the workers and the Government in the summer after widespread strikes mean that average incomes this year will grow by 18 per cent. At the same time, the need to service Poland's $24bn (£9.9bn) debt to the West means that spending on imports is being devoted almost entirely to purchase of raw materials, components and semi-finished goods. The share of the national income devoted to investment will fall this year to 14 per cent, compared to 19 per cent last year and more than 30 per cent in the mid-1970s, when the country's investment boom, fuelled by Western capital, was at its height.

The investment cuts will hit the Metallurgy Ministry most seriously. Its capital spending is to drop this year by 70 per cent from Zl 30bn in 1980 to Zl 8.3bn.

The Ministry is responsible for 15 of the 49 projects halted by the Government. The Jednosc steelworks in Silesia, for example, was investing in a new tube rolling mill. Equipment for the mill had already been contracted before the project was halted. It will arrive this year to swell the stock of uninstalled machinery.

The drop in raw material supplies and energy this year means that Poland's steel production will fall by about 11 per cent to 16.9m tonnes, compared with the average 19m tonnes since 1978.

Polish farmers threaten strike, Page 2

Chrysler may seek immediate $700m payment

By Ian Hargreaves in New York

CHRYSLER CORPORATION, once more on the brink of financial crisis, appears to be angling for immediate release of all the $700m remaining of the $1.5bn in Congress-approved loan guarantees.

Mr. Douglas Fraser, president of the United Autoworkers Union and a Chrysler director, yesterday asked the Government's Chrysler Loan Guarantee Board to consider releasing the full $700m, rather than the $400m which Chrysler itself has formally requested.

Although this could be an independent move by Mr. Fraser designed to cash in on his political credit with the outgoing Carter Administration rather than risk judgment by the new and less sympathetic Administration, he has been used before as a vanguard in Chrysler's lobbies in Washington.

The union leader said he made the proposal because a $700m release would boost consumer confidence in Chrysler's future and help it to sell cars.

But Mr. Fraser is well aware that some of the company's leading banks have also advised the company to go for $700m, on the argument that $400m will be eaten up within a few weeks of being obtained in today's depressed climate in the industry.

Continued from Page 1

Turkey loans request

range from resignation to frustration.

One banker said he suspected that "at the end of the day some sort of gesture will be made in the Turks' favour."

Another said the Turks were "idiotic" to seek to revise the terms of the 1979 agreements. He described rescheduling as "a cosmetic gesture which will have a negligible immediate effect on the balance of payments."

It would scare banks off increasing their medium-term exposure in Turkey. Instead the Turks should continue to press banks to increase their lines for acceptance and letters of credit.

"The Turks did miracles in getting banks to increase their short-term lending to Turkey by $500m-$600m last year," he said. He dismissed figures produced by the IMF showing that much less had been involved and that the banks might even have reduced their commitments to Turkey.

While bankers are sympathetic to Turkey, they also agree that the Turks should wait before raising the issue of rescheduling until just before they have to start repaying principal due on the 1979 credits.

Continued from Page 1

Fisons

economic climate had reinforced this need.

The cuts did not mean a reduction in producta lines, and the division planned to reorganise distribution facilities.

Fisons' fertiliser sales in 1979 were 22 per cent up on the previous year at £196.2m but its trading profits were only £2.91m, which was 51 per cent down on 1978. In the first half of 1980 profits were £1.4m on sales of £98.3m.

In the past six months the fertiliser industry generally was hit by the recession. Farmers, facing high interest rates, have deferred as long as possible their purchases of all agricultural inputs.

P & O to restore Belfast ferry service

BY PAULINE CLARK, LABOUR STAFF

P. & O. Ferries is to restore its Liverpool-Belfast ferry service — the only passenger ferry service between England and Northern Ireland — "as soon as possible," it said yesterday after fresh talks with union representatives in Liverpool.

The service was closed on New Year's Day after industrial action by seamen. Now there could be a sailing from Liverpool tomorrow night, with a return to normal service on Friday.

P. & O. said that all parties representing employees would contribute to an immediate study with managers "in a bid to achieve a reliable and viable service." A further meeting would take place at the end of the month.

Meanwhile, the prospect of major disruption to all British shipping in the seamen's national pay dispute remained on the horizon.

National Union of Seamen called on members to stop sailings of deep sea vessels from British ports on Monday. Those working for coastal vessels, short sea ships and ferries were asked to "escalate" their programme of lightning strikes.

However, the NUS executive council stopped short of deciding on a ballot for all-out strike action, in spite of calls for a ballot by Hull and Southampton seamen.

Employers are expected to agree this morning to the union's request for resumed talks on the 16 per cent pay claim, under the umbrella of the Advisory Conciliation and Arbitration Service.

The threat of increased industrial action is likely to weigh heavy on any arbitration talks. Employers say they cannot improve their 10.5 per cent offer without risking further job losses.

Dover seamen plan to meet today. Any decision to step up action at the port could lead to disruption of cross-Channel ferry services operated by Sealink, Townsend Thoresen and P & O Ferries.

The union's executive council said it would call for selective strikes on British ships in certain foreign ports. That would affect 14 shipping companies, including those operating container fleets and oil tankers. Passenger liners would not be affected.

The union said it would aim to hit the biggest and most influential companies.

Overtime bans and lightning strikes began last month after a union ballot rejected the 10.5 per cent offer. The effect so far has been limited.

The main sticking point in negotiations has been the union's demand for improved overtime rates. It claims its members work in the only major industrial sector where rates at time and a-quarter are maintained on weekdays and at weekends.

Weather

UK TODAY

COLD. CLOUDY, rain in W. Dry with sunny intervals in E. Showers at first in E. and S.E. England.

London, E. Anglia, S.E. and S.W. England, Wales, Channel, I.o.M., N. Ireland, S.W. and N.W. Scotland, Glasgow, Argyll

Cloudy, rain or sleet, becoming drier with bright intervals. Max. 5-9C (41-48F).

Rest of Britain

Dry, outbreaks of rain, bright intervals. Max. 1-7C (34-45F).

Outlook: Mild, cloudy, rain at times, becoming colder with sunny intervals, showers and night frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	10	50	Lisbon	S	12	54
Algiers	S	16	61	Locarno	Sn	0	32
Amsdm.	F	3	37	London	R	6	43
Athens	S	3	48	L. Ang.†	F	12	54
Bahrain	S	20	68	Luxmbg.	Sn	0	32
Barclna	S	13	55	Madrid	S	7	45
Beirut	F	16	61	Majorca	S	15	59
Belfast	R	7	45	Malaga	F	15	59
Belgrd.	F	1	34	Malta	C	11	52
Berlin	F	−3	27	Mchstr	R	4	39
Biarritz	C	11	52	Mx. C.†			
Bmghm.	R	4	39	Miami†	F	10	50
Blackp'l	R	6	43	Milan	C	6	43
Bordx.	F	11	52	Mntrl.†	Sn	−12	10
Boulgr.	C	5	41	Moscow	Sn	−7	19
Bristol	C	7	45	Munich	Sn	−3	27
Brussels	F	2	36	Naples	F	8	46
Budpst.	C	0	32	Nwcstl	Sn	2	36
Cardiff	R	7	45	N. York†	F	−5	21
Csblca.	S	13	55	Nice	F	14	57
Cape T.	S	27	81	Nicosia	C	16	61
Chicg.†	C	−4	25	Oporto	S	13	55
Cologne	C	0	32	Oslo	S	−13	9
Cpnhgn.	F	−7	19	Paris	F	6	43
Corfu	S	8	46	Perth	S	39	102
Denver†	F	−3	27	Prague	F	−2	28
Dublin	R	7	45	Reykjvk.	C	−2	28
Dbrvnk.	F	6	43	Rhodes	F	12	54
Ednbgh.	C	2	36	Rio J'o†			
Faro	S	14	57	Rome	C	9	48
Florence	C	0	32	Salzbrg.	Sn	−2	28
Frankft.	C	0	32	S'ncsco†	F	7	45
Funchal	C	17	63	S'tiago†			
Geneva	Sn	1	34	Stckhm.	F	−12	10
Gibrltr.	F	15	59	Strasbg.	C	4	29
Glasgow	R	3	37	Tangier	S	15	61
G'rnsey	C	8	46	Tel Aviv	S	16	61
Helsinki	S	−19	6	Tenerife	F	13	55
H. Kong	C	16	64	Tokyo	F	7	45
Innsbrk.	Sn	−3	27	T'r'nto†	C	−8	18
Invrnss	C	−1	30	Tunis	C	13	55
I. o. Man	C	8	46	Valencia	S	14	57
Istanbul	Sn	1	34	Venice	F	1	34
Jersey	C	8	46	Vienna	F	1	34
Jo'burg	R	21	70	Warsaw	Sn	−6	21
L. Plms.	F	18	64	Zurich	Sn	2	36

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. † Noon GMT temperatures

THE LEX COLUMN

Not quite enough for gilts

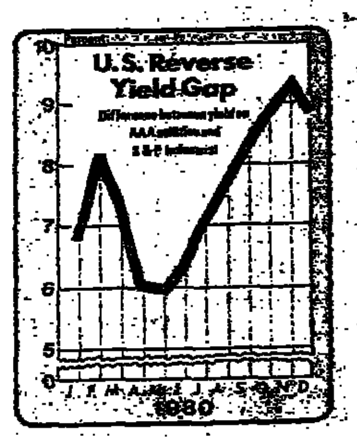
The money supply indication for banking December—half a per cent growth in sterling M3, seasonally adjusted—was, on its own, rather better than most gilt-edged investors were expecting. But the banking figures as a whole failed to give the totally convincing picture of monetary deceleration that was required for gilt prices to make headway against a rather difficult technical position.

On Friday the market has to find £525m for the final call on Treasury 11¾ per cent 2003/07 "A," while there is a £1bn new stock (albeit only £20-paid), on offer today, and the Government Broker has been busily selling the small tranches with which he filled up his portfolio over Christmas. The figures were just not good enough to ensure that today's new issue would be knocked out.

The main problem with the latest figures is that private sector loan demand has not fallen back as much as had been hoped, and the money supply has only been kept down by a large outflow of funds. This is the opposite of the position in November, when the external item went the other way, inflating sterling M3 relative to domestic credit expansion, and loan demand was satisfactorily inert.

Another slightly unsettling factor yesterday was the speeding-up of wholesale input price inflation in December and (following an upward revision) in November. The higher Saudi oil price accounts for some of the rise in input prices, but the fall in sterling from its peak in early November was even more important. These figures are a timely reminder of the crucial role played by the exchange rate in reducing UK inflation.

Index fell 5.3 to 467.6



Fisons

Stories of an impending reorganisation in Fisons' fertiliser division have been about for some time, and on the whole they have been good for the share price. In particular, the hope that the group might find a joint venture partner with a secure supply of feedstock was buoying the shares in November, when they were trading around 225p.

But yesterday's announcement that a quarter of the jobs in the division are to go (amounting to 10 per cent of Fisons' UK workforce of 11,000) along with some plant closures sent the shares spinning down 15p to 175p. Forecasts of Fisons' second-half profits are again being revised downwards, and the prospect of heavy redundancy costs on top has convinced the equity market that the final dividend is in peril.

Fisons shares now face an uncomfortable period as the market gropes for a new yield basis. At 175p, the historic yield is 13.4 per cent on a dividend costing £8.7m including ACT, and the capitalisation £65m. For some time now Fisons' problems on the fertiliser side have deterred prospective bidders, but sooner or later someone is going to find this price level irresistible for a group with a pharmaceutical business which made gross profits (before R & D) of £20m in 1979.

Borthwick

The clearing banks say they are adopting a sympathetic attitude to industry in the current recession, and the accounts from Thomas Borthwick—which are prepared on a going concern basis—help to bear this out. Last year's big losses hit the balance sheet to the extent that some loans became callable, with tangible net worth falling to just under £20m. Borrowings at what is seasonally a rather favourable time of the year total nearly £85m, most of which come from a group of 30 banks and are repayable within five years. A committee of these banks, led by Barclays, is now considering Borthwick's future.

An indication of the group's weakness is that it has not provided for a possible £1.5m clawback of deferred tax, on the grounds that the new stock relief is so unfair to companies with a year-end between March and mid-November that it will have to be modified. This has brought a crisp qualification from the auditors.

Of course a lot of Borthwick's debt is related to meat trading stocks (it has £54m of net working capital) which can be turned into cash relatively easily. It expects to cut its debt by over £20m this year, with the help of a higher level of forward sales and other devices to reduce stocks. But while this will lower the exposure to market risk, it will also reduce the scope for making profits.

The banks are likely to decide about Borthwick's future facilities within the next few weeks, and the omens appear reasonably hopeful. Yet it will take a long time for the group to trade its way back to financial health, and in the meantime there can be little scope for dividends. The market capitalisation is £15¼m at 30p.

Corporation tax

The main corporation tax paying season gets under way this week, and the Treasury is expecting only a small increase in receipts in the current financial year at best. But the proportion of the tax represented by advance corporation tax (ACT), which rose from 36 to 42 per cent—or £1.8bn—last year as dividend controls came off, is going to be high again this year. The problem is that companies simply do not have enough mainstream liability against which ACT can be set off. It is possible that the proportion of ACT which is not relieved may move up from a third of total ACT to two-fifths or more.

Tax reliefs provide a rough and ready way of adjusting stated historic cost profits for the effect of inflation. So where the reliefs eliminate liability to mainstream corporation tax—at least for a company with its earnings base in the UK—there is a good chance that it is making a current cost loss. Those companies whose dividend policy takes little account of current cost cover may find the issue brought home more forcefully by the cash implications of paying gross dividends.

Wall Street

The Dow Jones Industrials climbed above [illegible] yesterday lunchtime for the first time since mid-November, having fallen in the meantime to below [illegible]. Gyrating interest rates explained the setback, and the current rally. Yet by past standards shares remain expensive relative to bonds, having been remarkably strong during most of the period of rising prime rates last autumn.

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